

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

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

We have audited the accompanying consolidated financial statements of United Projects Company for Aviation Services K.S.C. (Closed) ('the parent company') and its subsidiaries ('the group'), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

We have not audited the financial statements of the subsidiary, Royal Aviation Company K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)], which was audited by other independent auditors whose report thereon has been furnished to us and our conclusion, in so far as it relates to the amounts included for the subsidiary, is based solely on the report of the other auditors. The total assets and revenue of the subsidiary represent 29% and 11% of the respective consolidated totals.

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out, and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the parent company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



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

9 March 2009

Kuwait

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
Revenues		7,422,474	6,602,145
Operating costs		(3,381,334)	(2,170,455)
GROSS PROFIT		4,041,140	4,431,690
Realised gain on sale of available for sale investments		1,019,753	3,847,464
Gain on part sale of a subsidiary	2	24,221	1,798,920
Interest income		140,155	562,911
Share of results of associates	9	(19,389)	(3,068)
Dividend income		42,957	18,703
Other income	3	215,376	162,788
Impairment loss on investment in associates	9	(461,949)	(250,000)
Impairment loss on available for sale investments	10	(1,795,642)	-
Impairment of goodwill	11	(149,381)	-
Distribution costs		(305,332)	(285,133)
General and administrative expenses		(1,097,029)	(1,268,220)
Depreciation		(133,427)	(36,817)
Finance costs		(291,185)	(409,584)
Provision for doubtful debts		(151,382)	(21,276)
Provision for doubtful debts no longer required		-	19,727
PROFIT FOR THE YEAR BEFORE BOARD OF DIRECTORS' REMUNERATION, ZAKAT, CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND NATIONAL LABOUR SUPPORT TAX (NLST)		1,078,886	8,568,105
Board of directors' remuneration		(50,000)	(50,000)
Zakat		(18,271)	(5,234)
Contribution to KFAS		(16,820)	(77,125)
NLST		(45,930)	(213,682)
PROFIT FOR THE YEAR	4	947,865	8,222,064
Attributable to:			
Equity holders of the parent company		1,749,133	8,219,955
Minority interests		(801,268)	2,109
		947,865	8,222,064
BASIC AND DILUTED EARNINGS PER SHARE	5	21.77 fils	100.64 fils


The attached notes 1 to 30 form part of these consolidated financial statements.


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

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Non-current assets			
Projects under construction	6	7,889,084	15,680,182
Property and equipment	7	732,464	101,082
Intangible assets	8	25,740,467	14,659,410
Investments in associates	9	586,826	1,199,485
Available for sale investments	10	2,531,237	8,115,209
Goodwill	11	-	149,381
		<u>37,480,078</u>	<u>39,904,749</u>
Current assets			
Inventories		82,312	108,097
Receivables and other debit balances	12	463,447	501,460
Due from related parties	21	515,488	4,101
Cash and cash equivalents	13	4,516,575	2,429,691
		<u>5,577,822</u>	<u>3,043,349</u>
TOTAL ASSETS		<u>43,057,900</u>	<u>42,948,098</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	8,250,000	8,250,000
Share premium		10,500,000	10,500,000
Statutory reserve	15	1,644,673	1,456,658
Voluntary reserve	16	1,644,673	1,456,658
Treasury shares	17	(963,406)	(719,206)
Treasury shares reserve		3,156	3,156
Cumulative changes in fair values		(582)	810,144
Retained earnings		7,444,192	8,893,139
Equity attributable to equity holders of the parent company		<u>28,522,706</u>	<u>30,650,549</u>
Minority interests		3,113,820	1,777,592
Total equity		<u>31,636,526</u>	<u>32,428,141</u>
Non-current liabilities			
Term loans	18	2,500,000	4,800,000
Employees' end of service benefits	19	144,883	193,595
		<u>2,644,883</u>	<u>4,993,595</u>
Current liabilities			
Term loans	18	2,080,000	200,000
Due to related parties	21	239,711	60,130
Accounts payable and other credit balances	20	6,456,780	5,266,232
		<u>8,776,491</u>	<u>5,526,362</u>
Total liabilities		<u>11,421,374</u>	<u>10,519,957</u>
TOTAL EQUITY AND LIABILITIES		<u>43,057,900</u>	<u>42,948,098</u>


 Majed Essa Al Ajeel
 Chairman


 Abdul Aziz Mutlaq Al-Osaimi
 Vice Chairman

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
OPERATING ACTIVITIES			
Profit for the year attributable to equity holders of the parent company		1,749,133	8,219,955
Adjustments for:			
Depreciation and amortisation		1,704,244	1,017,393
(Gain) loss on sale on property and equipment		(400)	97
Share of results of associates	9	19,389	3,068
Gain on sale of investment in an associate		(399)	-
Gain on part sale of a subsidiary		(24,221)	(1,798,920)
Provision for employees' end of service benefits	19	54,870	56,864
Realised gain on sale of available for sale investments		(1,019,755)	(3,847,464)
Impairment loss on investment in associates	9	461,949	250,000
Impairment loss on available for sale investments		1,795,642	-
Impairment of goodwill	11	149,381	-
Interest income		(140,155)	(562,911)
Dividend income		(42,957)	(18,703)
Finance costs		291,185	409,584
Provision for doubtful debts		151,382	21,276
Provision for doubtful debts no longer required		-	(19,727)
		<u>5,149,288</u>	<u>3,730,512</u>
Changes in operating assets and liabilities:			
Inventories		25,785	(35,315)
Receivables and other debit balances		(29,567)	4,379,482
Due from related parties		(847,363)	341,310
Due to related parties		179,581	(7,902)
Accounts payable and other credit balances		1,228,194	2,485,827
Cash from operations		<u>5,705,918</u>	<u>10,893,914</u>
Employees' end of service benefits paid	19	(23,575)	(36,429)
Net cash from operating activities		<u>5,682,343</u>	<u>10,857,485</u>
INVESTING ACTIVITIES			
Purchase of available for sale investments		(8,084,617)	(14,138,263)
Proceeds from sale of available for sale investments		12,081,977	19,723,081
Additions to project under construction	6	(5,100,469)	(8,264,469)
Purchase of property and equipment	7	(459,707)	(15,037)
Proceeds on sale of property and equipment		400	451
Investment in associates		-	(725,000)
Interest income received		140,155	562,911
Dividend income received		42,957	18,703
Net cash inflow from part sale of a subsidiary		11,688	3,443,999
Proceeds from sale of investment in an associate		220,000	-
Payment for acquiring additional shares in a subsidiary		-	(350,000)
Additions to intangible assets	8	(68,411)	(75,193)
Net cash (used in) from investing activities		<u>(1,216,027)</u>	<u>181,183</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(244,200)	(610,900)
Proceeds from sale of treasury shares		-	42,000
Repayment of term loans		(1,700,000)	(15,200,000)
Term loans obtained		1,280,000	8,220,000
Dividend paid		(2,760,273)	(763,800)
Finance costs paid		(291,185)	(541,408)
Net movement in minority interests		1,336,226	30,740
Net cash used in financing activities		<u>(2,379,432)</u>	<u>(8,823,368)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>2,086,884</u>	<u>2,215,300</u>
Cash and cash equivalents at the beginning of the year		2,429,691	214,391
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	<u>4,516,575</u>	<u>2,429,691</u>

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

Attributable to equity holders of the parent company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair values KD	Retained earnings KD	Sub total KD	Minority interests KD	Total KD
Balance at 1 January 2007	7,500,000	10,500,000	600,058	600,058	(147,150)	-	(262,161)	3,878,384	22,669,189	302,392	22,971,581
Net movement in fair value of available for sale investments during the year (Note 10)	-	-	-	-	-	-	1,072,305	-	1,072,305	-	1,072,305
Total income for the year recognised directly in equity	-	-	-	-	-	-	1,072,305	-	1,072,305	-	1,072,305
Profit for the year	-	-	-	-	-	-	-	8,219,955	8,219,955	2,109	8,222,064
Total income for the year	-	-	-	-	-	-	1,072,305	8,219,955	9,292,260	2,109	9,294,369
Adjustment on increase in share capital of a subsidiary	-	-	-	-	-	-	-	-	-	1,444,460	1,444,460
Adjustment on part sale of a subsidiary	-	-	-	-	-	-	-	-	-	28,631	28,631
Purchase of treasury shares	-	-	-	-	(610,900)	-	-	-	(610,900)	-	(610,900)
Sale of treasury shares	-	-	-	-	38,844	3,156	-	-	42,000	-	42,000
Issue of bonus shares (Note 14)	750,000	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Dividend declared (Note 14)	-	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Dividend adjustment on treasury shares	-	-	-	-	-	-	-	8,000	8,000	-	8,000
Transfer to reserves	-	-	856,600	856,600	-	-	-	(1,713,200)	-	-	-
Balance at 31 December 2007	8,250,000	10,500,000	1,456,658	1,456,658	(719,206)	3,156	810,144	8,893,139	30,650,549	1,777,592	32,428,141

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2008

Attributable to equity holders of the parent company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair values KD	Retained earnings KD	Sub total KD	Minority interests KD	Total KD
Balance at 1 January 2008	8,250,000	10,500,000	1,456,658	1,456,658	(719,206)	3,156	810,144	8,893,139	30,650,549	1,777,592	32,428,141
Net movement in fair value of available for sale investments during the year (Note 10)	-	-	-	-	-	-	(810,726)	-	(810,726)	-	(810,726)
Total expense for the year recognised directly in equity	-	-	-	-	-	-	(810,726)	-	(810,726)	-	(810,726)
Profit (loss) for the year	-	-	-	-	-	-	-	1,749,133	1,749,133	(801,268)	947,865
Total income and expense for the year	-	-	-	-	-	-	(810,726)	1,749,133	938,407	(801,268)	137,139
Adjustment on increase in share capital of a subsidiary	-	-	-	-	-	-	-	-	-	1,769,996	1,769,996
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	367,500	367,500
Purchase of treasury shares	-	-	-	-	(244,200)	-	-	-	(244,200)	-	(244,200)
Dividend declared (Note 14)	-	-	-	-	-	-	-	(2,887,500)	(2,887,500)	-	(2,887,500)
Dividend adjustment on treasury shares	-	-	-	-	-	-	-	65,450	65,450	-	65,450
Transfer to reserves	-	-	188,015	188,015	-	-	-	(376,030)	-	-	-
Balance at 31 December 2008	8,250,000	10,500,000	1,644,673	1,644,673	(963,406)	3,156	(582)	7,444,192	28,522,706	3,113,820	31,636,526

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2008

1 ACTIVITIES

The consolidated financial statements of United Projects Company for Aviation Services K.S.C. (Closed) (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2008 were authorised for issue by the board of directors on 9 March 2009.

The parent company was established as a closed Kuwaiti Shareholding Company on 4 December 2000 and its registered address is Fahed Al Salem Street, Al Abrar Tower, P.O. Box 27068 Safat 13131, State of Kuwait. The main objectives of the parent company are:

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

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

The group comprises the parent company as described above and its subsidiary companies - Royal Aviation K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)] and United National For Aviation Services Company W.L.L.

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

The parent company is a subsidiary of Kuwait National Airways K.S.C. (ultimate parent company).

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars.

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

New and amended IASB Standards issued but not yet adopted

- IAS 1 (Revised): Presentation of Financial Statements (effective for periods beginning on or after 1 January 2009):
- IFRS 8: Operating Segments (effective for periods beginning on or after 1 January 2009):
- IAS 23 (Revised): Borrowing costs (effective for periods beginning on or after 1 January 2009):
- IFRS 3 (Revised): Business Combinations (effective for periods beginning on or after 1 July 2009):
- IAS 27 (Revised): Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009).
- IAS 40 (Revised): Investment Property (effective for periods beginning on or after 1 January 2009).

IAS 1 (Revised) Presentation of Financial Statements

The standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date. The group has not early adopted this amendment. The group is still evaluating the impact of application of IFRS 8 on the consolidated financial statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended IASB Standards issued but not yet adopted (continued)

IAS 23 (Revised) Borrowing costs

This standard will require an entity to capitalise borrowing costs attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset and removes the option of expensing these borrowing costs in the consolidated income statement. The application of the revised IAS 23 will not impact the group's consolidated financial statements as the group currently capitalises bank borrowing costs.

IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control and transactions with minority interests.

IAS 40 (Revised) Investment Property

IAS 40 (Revised) allows property under development which is within the scope of the investment property to be measured at cost if fair value cannot be measured reliably until such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier).

Except as mentioned above in respect of IAS 23 (Revised), the group did not early adopt these standards as the application of these standards will be made when these standards become effective and are not expected to have a significant impact on the consolidated financial statements of the group.

The accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2008 are consistent with those used in the previous year, as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries, as stated below:

Name of the company	Country of incorporation	Principal activity	Ownership %	
			2008	2007
Royal Aviation Company K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)]	Kuwait	Management and services	55.75	55.75
United National For Aviation Services Company W.L.L.	Kuwait	Management and services	51	-
Kuwait United Construction Management Company W.L.L.	Kuwait	Construction	-	100

During the year ended 31 December 2008, the parent company participated, with the ultimate parent company, in the establishment of a new subsidiary, United National for Aviation Services Company W.L.L. The total consideration paid by the parent company equals to KD 382,500 which is equivalent to 51% interest in the equity of the subsidiary. At the balance sheet date, the subsidiary has not started its operations yet.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

In addition, the parent company disposed 50% equity interest in Kuwait United Construction Management Company W.L.L. ("KUCM"), to a related party, for a total consideration of KD 112,500. As a result of the disposal, the parent company realised a gain amounting to KD 24,221. Accordingly, the parent company's share in KUCM was reduced to 50% and it ceased to have control over this subsidiary. However, the parent company still has significant influence over the operating and financial policy decisions of KUCM and accordingly, it is now accounted for as an investment in associate.

The financial statements of the subsidiary companies are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All significant intra-group balances, transactions and unrealised profits are eliminated on consolidation.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Revenue recognition

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

Finance costs

Finance costs that are directly attributable to a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Other finance costs are calculated and recognised on a time proportionate basis taking into account the outstanding balance payable and applicable interest rate.

KFAS, NLST and Zakat

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the parent entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax/levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Tax/statutory levy

Contribution to KFAS

NLST

Zakat

Rate

1.0% of net profit less permitted deductions

2.5% of net profit less permitted deductions

1.0% of net profit less permitted deductions

Projects under construction

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

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

Intangible assets

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

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

Investments in associates

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

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

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Available for sale investments

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

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

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment may be impaired. If such evidence exists, any impairment loss (being the difference between cost and fair value, less any impairment loss previously recognised) is recognised in the consolidated income statement. In the case of equity and similar investments the investment is written down directly whereas in the case of bonds and similar securities a provision account is used.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated income statement.

Inventories

Inventories are stated at cost less any impairment in value.

Receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the assets (an incurred 'loss event') and that loss event has an impact on the estimated future cash flow of the financial assets or group of the financial assets that can be reliably estimated. If such evidence exists, an impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

Assets carried at amortised cost

If there is objective evidence that impairment loss has occurred in the carrying amount of assets carried at amortised cost, the amount of the loss 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in consolidated income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off when they are assessed as uncollectible.

Assets carried at cost

For assets carried at cost, impairment is the difference between cost and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Available for sale financial investments

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in consolidated income statement, is transferred from consolidated statement of equity to consolidated income statement. Reversals in respect of equity instruments classified as available for sale are not recognised in the consolidated income statement.

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 makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's 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 and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognising impairment loss in the consolidated income statement. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non financial assets (continues)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

Derecognition of financial assets and liabilities

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;
- The group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The group has transferred its rights to receive cash flows from the asset and has either:
 - (a) transferred substantially all the risks and rewards of the asset; or
 - (b) 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 and has neither transferred nor retained substantially all 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. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdraft.

Treasury shares

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

Term loans

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

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

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

Accounts payable and other credit balances

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

Foreign currencies

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

Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments

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

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, market value of a similar investment or expected discounted cash flows of the investment. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Other financial assets and liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

3 OTHER INCOME

	<i>2008</i>	<i>2007</i>
	<i>KD</i>	<i>KD</i>
Miscellaneous income	115,407	80,542
Other service income	99,969	82,246
	<u>215,376</u>	<u>162,788</u>

Miscellaneous income mainly includes income earned from cancellation of rental contracts by tenants within the period of rental agreement.

Other service income mainly includes income earned from advertisements and services rendered to tenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

4 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	<i>2008</i>	<i>2007</i>
	<i>KD</i>	<i>KD</i>
Staff costs included in:		
- Operating costs	394,625	763,534
- General and administrative expenses	593,378	567,588
	<u>988,003</u>	<u>1,331,122</u>
Rental-operating leases	<u>681,800</u>	<u>479,400</u>

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>2008</i>	<i>2007</i>
	<i>KD</i>	<i>KD</i>
Profit for the year attributable to equity holders of the parent company	<u>1,749,133</u>	<u>8,219,955</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares, less treasury shares, outstanding during the year	<u>80,346,192</u>	<u>81,673,786</u>
Basic and diluted earnings per share	<u>21.77 fils</u>	<u>100.64 fils</u>

6 PROJECTS UNDER CONSTRUCTION

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

	<i>2008</i>	<i>2007</i>
	<i>KD</i>	<i>KD</i>
Balance at 1 January	15,680,182	7,415,713
Additions	5,100,469	8,264,469
Transfer to property and equipment (Note 7)	(308,104)	-
Transfer to intangible assets (Note 8)	(12,583,463)	-
Balance at 31 December	<u>7,889,084</u>	<u>15,680,182</u>

Projects under construction include capitalised borrowing cost of KD 135,098 (2007: KD 268,912). During the year ended 31 December 2008, amounts of KD 308,104 and KD 12,583,463 (2007: Nil) were transferred to property and equipment and intangible assets respectively, as a result of the completion of the construction of such projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

7 PROPERTY AND EQUIPMENT

	<i>Office building</i> <i>KD</i>	<i>Furniture and fixtures</i> <i>KD</i>	<i>Computers</i> <i>KD</i>	<i>Vehicles</i> <i>KD</i>	<i>Tools and equipment</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Cost:						
At 1 January 2008	102,180	191,751	47,483	31,915	-	373,329
Additions	-	235,770	75,247	6,066	142,624	459,707
Transfer from project under construction (Note 6)	124,530	-	-	-	183,574	308,104
Disposals	-	-	-	(3,985)	-	(3,985)
Arising on disposal of a subsidiary	-	(45,977)	(45,501)	-	-	(91,478)
At 31 December 2008	226,710	381,544	77,229	33,996	326,198	1,045,677
Depreciation:						
At 1 January 2008	36,686	171,489	42,859	21,213	-	272,247
Depreciation charge for the year	15,971	45,141	17,113	7,261	47,941	133,427
Relating to disposals	-	-	-	(3,985)	-	(3,985)
Arising on disposal of a subsidiary	-	(45,617)	(42,859)	-	-	(88,476)
At 31 December 2008	52,657	171,013	17,113	24,489	47,941	313,213
Net carrying amount:						
At 31 December 2008	174,053	210,531	60,116	9,507	278,257	732,464

	<i>Office building</i> <i>KD</i>	<i>Furniture and fixtures</i> <i>KD</i>	<i>Computers</i> <i>KD</i>	<i>Vehicles</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Cost:					
At 1 January 2007	102,180	178,692	46,137	31,915	358,924
Additions	-	13,059	1,978	-	15,037
Disposals	-	-	(632)	-	(632)
At 31 December 2007	102,180	191,751	47,483	31,915	373,329
Depreciation:					
At 1 January 2007	25,254	153,553	41,910	14,797	235,514
Depreciation charge for the year	11,432	17,936	1,033	6,416	36,817
Relating to disposals	-	-	(84)	-	(84)
At 31 December 2007	36,686	171,489	42,859	21,213	272,247
Net carrying amount					
At 31 December 2007	65,494	20,262	4,624	10,702	101,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

8 INTANGIBLE ASSETS

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

	<i>KD</i>
Cost:	
At 1 January 2008	19,364,696
Additions	68,411
Transfer from projects under construction (Note 6)	12,583,463
At 31 December 2008	<u>32,016,570</u>
Amortisation:	
At 1 January 2008	4,705,286
Amortisation charge for the year	1,570,817
At 31 December 2008	<u>6,276,103</u>
Net carrying amount:	
At 31 December 2008	<u>25,740,467</u>
At 31 December 2007	<u>14,659,410</u>

The amortisation charge for the year is included in operating costs.

9 INVESTMENTS IN ASSOCIATES

The group has the following investments in associates:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership %</i>	
			<i>2008</i>	<i>2007</i>
United Boubyan Hospital K.S.C (Closed)	Kuwait	Hospital and medical services	-	20
Sporting Real Estate Company K.S.C (Closed)	Kuwait	Real estate	25	25
Kuwait United Construction Management Company W.L.L. ("KUCM")	Kuwait	Construction	50	-

During the year ended 31 December 2008, the parent company disposed of its complete equity interest in United Boubyan Hospital K.S.C. (Closed) for a total consideration of KD 220,000. As a result of the disposal, the parent company realised a gain of KD 399.

Previously, KUCM was 100% owned by the parent company and accordingly was treated as a subsidiary. As a result of the decrease in the parent company's ownership, as stated in Note 2, KUCM became an associate with a percentage of ownership equal to 50%, as the parent company has significant influence over the operating and financial policy decisions of KUCM.

Sporting Real Estate Company K.S.C. (Closed) has not yet commenced its operations as of 31 December 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

9 INVESTMENTS IN ASSOCIATES (continued)

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

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Share of associates' balance sheets:		
Total assets	2,226,546	1,458,318
Total liabilities	(927,771)	(8,833)
Net assets	1,298,775	1,449,485
Less: Impairment loss on investment in associates	(711,949)	(250,000)
	<u>586,826</u>	<u>1,199,485</u>
Share of associates' revenues and results:		
Revenues	198,243	17,701
Results	(19,389)	(3,068)

10 AVAILABLE FOR SALE INVESTMENTS

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Managed portfolios (unquoted equity securities)	1,930,029	3,295,044
Other unquoted equity securities	295,829	45,908
Managed portfolios (quoted equity securities)	272,104	4,730,092
Other quoted equity securities	33,275	44,165
	<u>2,531,237</u>	<u>8,115,209</u>

Unquoted equity securities amounting to KD 295,829 (2007: KD 45,908) are carried at cost as there is no reliable means to determine the fair value. Management is not aware of any circumstances that would indicate any impairment in the value of these investments at the balance sheet date.

The fair values of unquoted equity securities included in managed portfolios are provided by the portfolio manager.

Based on the significant decline in the fair value of certain available for sale investments and in light of the global financial crisis, management has taken impairment loss of KD 1,795,642 on these investments. Management is not aware of any circumstances that would indicate any further impairment in the value of these investments at the balance sheet date.

Movement in cumulative changes in fair values arising from available for sale investments are as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Net unrealised (loss) gain	(1,586,615)	4,919,769
Net realised gain reclassified to the consolidated income statement on disposal	(1,019,753)	(3,847,464)
Impairment loss on available for sale investments transferred to consolidated income statement during the year	1,795,642	-
	<u>(810,726)</u>	<u>1,072,305</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

11 GOODWILL

As at 31 December 2008, management has written off the goodwill that arose on prior year acquisition of 5% stake in Royal Aviation Company K.S.C. (Closed) [formerly Jet Aviation Company K.S.C. (Closed)]. This was based on the fact that the subsidiary has been making continual losses and is not expected to be making profits in the near future, accordingly, the management does not expect any recoverable amount of goodwill at the balance sheet date.

Movement on goodwill during the year was as follows:

	2008 KD	2007 KD
At 1 January	149,381	-
Additions during the year	-	149,381
Impairment loss	(149,381)	-
At 31 December	<u>-</u>	<u>149,381</u>

12 RECEIVABLES AND OTHER DEBIT BALANCES

	2008 KD	2007 KD
Trade receivables	354,804	299,514
Prepayments	29,233	32,905
Other debit balances	79,410	169,041
	<u>463,447</u>	<u>501,460</u>

As at 31 December 2008, trade receivables at nominal value of KD 151,382 (2007: KD 26,505) were impaired.

Movement in the allowance of receivables were as follows:

	2008 KD	2007 KD
At 1 January	21,276	19,727
Charge for the year	151,382	21,276
Provision for doubtful debts no longer required	-	(19,727)
Arising on disposal of a subsidiary	(21,276)	-
At 31 December	<u>151,382</u>	<u>21,276</u>

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	<u>Past due but not impaired</u>					Total KD
	<i>Neither past due nor impaired</i> KD	<i>30 to 60 days</i> KD	<i>60 to 90 days</i> KD	<i>90 to 120 days</i> KD	<i>>120 days</i> KD	
2008	59,488	32,299	27,039	197,525	38,453	354,804
2007	78,830	59,499	36,736	16,066	103,154	294,285

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 and therefore, they are unsecured.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

13 CASH AND CASH EQUIVALENTS

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

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Bank balances and cash	4,682,087	2,445,625
Bank overdraft	(165,512)	(15,934)
	<u>4,516,575</u>	<u>2,429,691</u>

Included in bank balances and cash are bank deposits of KD 4,450,000 (2007: KD 2,030,733) with a commercial bank in Kuwait. These are denominated in Kuwaiti Dinars, are short term in nature and carry an effective interest rate which ranges between 4% to 6.25% (2007: 4% to 4.5%) per annum.

Bank overdraft carries an interest rate of 1.75% to 2.25% (2007: 1.75% to 2.25%) per annum over the Central Bank of Kuwait discount rate.

14 SHARE CAPITAL AND DIVIDEND

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Authorised, issued and fully paid (82,500,000 shares of 100 fils each)	<u>8,250,000</u>	<u>8,250,000</u>

On 17 March 2008, the Annual General Meeting of the shareholders approved cash dividend of KD 0.035 per share (excluding treasury shares) totalling KD 2,822,050 (2007: cash dividend of KD 742,000 and bonus shares of 10% of paid up capital totalling 7,500,000 shares) for the year ended 31 December 2007.

15 STATUTORY RESERVE

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

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

16 VOLUNTARY RESERVE

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

17 TREASURY SHARES

	<i>2008</i>	<i>2007</i>
Number of treasury shares (share)	<u>2,480,000</u>	<u>1,770,000</u>
Percentage of issued shares (%)	<u>3.01%</u>	<u>2.14%</u>
Market value (KD)	<u>880,400</u>	<u>743,400</u>

United Projects Company For Aviation Services K.S.C. (Closed) and Subsidiaries
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18 TERM LOANS

2008

Currency	KD	Effective interest rate	Maturity
<i>Non-current liabilities</i>			
Kuwaiti Dinar	<u>2,500,000</u>	Central Bank of Kuwait discount rate plus 3% per annum	December 2014
<i>Current liabilities</i>			
Kuwaiti Dinar	<u>2,080,000</u>	Central Bank of Kuwait discount rate plus 3% per annum	December 2009
2007			
Currency	KD	Effective interest rate	Maturity
<i>Non-current liabilities</i>			
Kuwaiti Dinar	<u>4,800,000</u>	Central Bank of Kuwait discount rate plus 3% per annum	December 2014
<i>Current liabilities</i>			
Kuwaiti Dinar	<u>200,000</u>	Central Bank of Kuwait discount rate plus 3% per annum	December 2008

All term loans are unsecured.

19 EMPLOYEES' END OF SERVICE BENEFITS

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

	2008 KD	2007 KD
Provision as at 1 January	193,595	173,160
Provided during the year	54,870	56,864
End of service benefits paid	(23,575)	(36,429)
Relating to disposal of a subsidiary	(80,007)	
Provision as at 31 December	<u>144,883</u>	<u>193,595</u>

20 ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2008 KD	2007 KD
Due to contractors and suppliers	2,324,216	2,075,705
Retentions	1,240,452	1,051,210
Accrued expenses	405,690	1,067,232
Tenant deposits	2,210,239	731,030
Provision for staff leave	48,851	77,384
Dividend payable	91,177	29,400
Other credit balances	136,155	234,271
	<u>6,456,780</u>	<u>5,266,232</u>

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

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21 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the consolidated income statement are as follows:

	<i>Associates</i>	<i>Major</i>	<i>Other</i>	2008	2007
	<i>KD</i>	<i>shareholders</i>	<i>related parties</i>	<i>KD</i>	<i>KD</i>
		<i>KD</i>	<i>KD</i>		
Revenues	-	165,600	79,610	245,210	51,780
Gain on part sale of a subsidiary	-	-	24,221	24,221	-
Interest income	-	-	140,155	140,155	562,911
Share of results of associates	(19,389)	-	-	(19,389)	(3,068)
Impairment loss on investment in associates	(461,949)	-	-	(461,949)	(250,000)
General and administration expenses	-	-	(19,035)	(19,035)	(129,985)
Finance costs	-	-	(291,185)	(291,185)	(409,584)

Balances with related parties included in the consolidated balance sheet are as follows:

	<i>Associates</i>	<i>Major</i>	<i>Other</i>	31 December	31 December
	<i>KD</i>	<i>shareholders</i>	<i>related parties</i>	<i>2008</i>	<i>2007</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Investment in associates	586,826	-	-	586,826	1,199,485
Due from related parties	10,505	429,253	75,730	515,488	4,101
Cash and cash equivalents	-	-	4,513,294	4,513,294	2,426,278
Term loans	-	-	4,580,000	4,580,000	5,000,000
Due to related parties	61,206	57,000	121,505	239,711	60,130

Available for sale investments (Note 10) amounting to KD 2,202,133 (2007: KD 8,025,136) are managed by a related party.

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

Compensation of key management personnel

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

	2008	2007
	<i>KD</i>	<i>KD</i>
Short-term benefits	101,226	135,668
Employees' end of service benefits	22,492	16,570
	<u>123,718</u>	<u>152,238</u>

22 COMMITMENTS

The group had capital commitments against projects under construction amounting to KD 2,000,000 (2007: KD 4,000,000).

The car park and commercial complex of Kuwait International Airport (Note 8) are constructed on a leased land for which an annual lease payment of KD 465,000 (2007: KD 465,000) has been made. The lease payments for the future periods are as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Not later than 5 years	2,325,000	2,325,000
Later than 5 years	4,304,753	4,769,753
	<u>6,629,753</u>	<u>7,094,753</u>

23 CONTINGENCIES

At 31 December 2008 the group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 482,322 (2007: KD 334,391).

In addition, there were some legal cases filed by different parties against the parent company, which are still outstanding at the balance sheet date. In the opinion of management (based on advise from legal counsel), the likelihood of an unfavourable decision on these legal cases and the parent company having to bear any material financial loss in this respect is not probable.

24 PROPOSED DIVIDEND AND BONUS SHARES

The board of directors of the parent company proposed a cash dividend of KD 0.015 (2007: cash dividend of KD 0.035) per share. This proposal is subject to the approval of the shareholders of the parent company in the Annual General Meeting. These dividends have not been accounted for in these consolidated financial statements.

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

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25 SEGMENTAL INFORMATION

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

	Investments		Project management and consultancy services		Total	
	2008 KD	2007 KD	2008 KD	2007 KD	2008 KD	2007 KD
Segment revenues	8,799,973	12,943,616	64,963	520,042	8,864,936	13,463,658
Segment profit	1,065,174	8,562,918	13,712	5,187	1,078,886	8,568,105
Unallocated expenses					(131,021)	(346,041)
					947,865	8,222,064
Assets	43,057,900	42,773,164	-	174,934	43,057,900	42,948,098
Liabilities	11,421,374	10,376,616	-	143,341	11,421,374	10,519,957
Depreciation and amortisation	1,703,877	1,017,393	367	-	1,704,244	1,017,393
Commitments	8,629,753	11,094,753	-	-	8,629,753	11,094,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26 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 and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. It is also subject to operating risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group is exposed to credit risk on its bank balances and receivables. Credit risk is limited to the carrying values of financial assets in the consolidated balance sheet.

In addition, the group seeks to limit its credit risk with respect to customers/tenants by setting credit limits for individual customers/tenants, monitoring outstanding receivables and limiting transactions with specific counterparties.

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

Impaired or past due but not impaired financial assets of the group at 31 December 2008 and 31 December 2007 are disclosed in Note 12.

The group's assets can be analysed by the industry sector as follows:

	<i>2008</i> <i>KD</i>	<i>2007</i> <i>KD</i>
Banking	4,513,047	2,427,159
Real estate	35,170,795	32,260,282
Investment	2,235,408	8,069,301
Others	1,138,650	191,356
	<u>43,057,900</u>	<u>42,948,098</u>

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, cash equivalents, and readily marketable securities.

The group limits its liquidity risk by ensuring facilities from banks and related parties are available.

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

31 December 2008	<i>Within 3</i> <i>months</i> <i>KD</i>	<i>3 - 12</i> <i>months</i> <i>KD</i>	<i>1 to 5</i> <i>years</i> <i>KD</i>	<i>Total</i> <i>KD</i>
LIABILITIES				
Term loans	-	2,379,990	3,699,960	6,079,950
Due to related parties	37,500	202,211	-	239,711
Accounts payable and other credit balances	2,718,056	3,738,724	-	6,456,780
	<u>2,755,556</u>	<u>6,320,925</u>	<u>3,699,960</u>	<u>12,776,441</u>
Commitments	-	3,503,188	5,126,565	8,629,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2007	Within 3 months KD	3 - 12 months KD	1 to 5 years KD	Total KD
LIABILITIES				
Term loans	-	215,193	5,364,641	5,579,834
Due to related parties	60,130	-	-	60,130
Accounts payable and other credit balances	3,813,746	1,448,093	-	5,261,839
	<u>3,873,876</u>	<u>1,663,286</u>	<u>5,364,641</u>	<u>10,901,803</u>
Commitments	-	2,465,000	8,629,753	11,094,753

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.

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

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 is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank deposits, bank overdraft and term loans. The effective interest rates are disclosed in Notes 13 and 18.

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the group's profit before board of directors' remuneration, zakat, KFAS and NLST for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2008.

	Increase (decrease) In basis points	Effect on profit before board of directors' remuneration, zakat, KFAS & NLST KD
2008 KD	+25	(739)
2007 KD	+25	(740)

A decrease in interest rate would have the opposite effect on the profit for the year.

Currency risk

The group is not exposed to significant currency risk as the significant portion of the group's assets and liabilities are denominated in Kuwaiti Dinars.

26 RISK MANAGEMENT (continued)

Market risk (continued)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The group manages this through diversification of investments in terms of industry concentration. All of the group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on equity (as a result of a change in the fair value of available for sale investments at 31 December 2008) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	Change in equity price %	2008 Effect on equity KD	2007 Effect on equity KD
Kuwait	+ 5%	15,497	81,688
Other unquoted	+ 5%	111,293	2,747

The decrease in equity price percentage will have the opposite effect on equity.

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, including the use of internal audit.

Prepayment risk

Prepayment risk is the risk that the group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The group is not significantly exposed to prepayment risk.

27 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.

No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The group monitors capital using a leverage ratio, which is net debt divided by total capital. The group's policy is to keep the gearing ratio less than 30%. The group includes within net debt, term loans, due to related parties and accounts payable and other credit balances, less cash and cash equivalents. Total capital represents equity for the group less cumulative changes in fair values.

	2008 KD	2007 KD
Term loans	4,580,000	5,000,000
Due to related parties	239,711	60,130
Accounts payables and other credit balances	6,456,780	5,266,232
Less: cash and cash equivalents	(4,516,575)	(2,429,691)
Net debt	6,759,916	7,896,671
Total capital	28,523,288	29,840,405
Gearing ratio (%)	23.70%	26.46%

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The group has used judgments and estimates principally in, but not limited to, the classification of investments, the determination of impairment provisions and the valuation of unquoted investments.

Classification of investments

The group decides on acquisition of investments whether they should be classified as available for sale investments or other categories of investment under IAS 39.

All investments are classified as available for sale investment.

Impairment of available for sale investments

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

At the balance sheet date, gross available for sale investments were KD 4,326,879 (2007: KD 8,115,209) and the respective impairment loss was KD 1,795,642 (2007: Nil).

Impairment loss on investment in associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated income statement.

At the balance sheet date, gross investment in associates were KD 1,298,775 (2007: KD 1,449,485) and the impairment loss was KD 711,949 (2007: KD 250,000).

Impairment of receivables

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

At the balance sheet date, gross trade receivables were KD 506,186 (2007: KD 320,790), and the provision for doubtful debts was KD 151,382 (2007: KD 21,276). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of project under construction

The carrying value of the project under construction is reviewed for impairment when events or changes in circumstances indicate that 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. The carrying amount of project under construction as at 31 December 2008 was KD 7,889,084 (2007: 15,680,182).

29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was fully impaired (2007: 149,381).

Valuation of unquoted equity investments

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

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

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

30 SUBSEQUENT EVENTS

The group is exposed to equity price risk with respect to its equity investments. All equity investments are classified as available for sale investments.

Subsequent to the balance sheet date, as a result of the volatility in the local equity market, there has been a decline in the some of the investments held by the group.

The decline in stock market indices subsequent to the balance sheet date up to 21 February 2009, and its approximate impact on the group, were as follows:

	<i>Reduction in equity KD</i>
Available for sale investments	<u>60,834</u>