

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012



Ernst & Young
Al Alban, Al Osaimi & Partners
P.O. Box 74 Safat
13001 Safat, Kuwait
Baitak Tower, 18-21st Floor
Safat Square
Ahmed Al Jaber Street
Tel : 2245 2880/2295 5000
Fax: 2245 6419
Email: kuwait@kw.ev.com



**BAKER TILLY
KUWAIT**

Dr. Saud Al-humaidi & Partners
Public Accountants
P.O.Box 1486 Safat,13015 Kuwait
Sharq Area, Omar Bin Khattab Street
Shawafat Bldg, Block No. 5, 1st Floor
Tel : 22442333 / 22443222
Fax : 22461225
www.bakertillykuwait.com

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

Report on the Consolidated Financial Statements

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 (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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 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.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, 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 auditors consider 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 in 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 AUDITOR'S 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 at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 5 to the consolidated financial statements, which describes the uncertainty relating to the Sheikh Saa'd terminal future operations and its impact on the recoverable amount of related intangible asset. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, 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 Companies Law No 25 of 2012, nor of the Articles of Association, have occurred during the year ended 31 December 2012 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
DR. SAUD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

12 March 2013

Kuwait

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	<i>Notes</i>	2012 KD	2011 KD
Revenues		11,226,042	10,937,279
Operating costs		(5,007,012)	(4,898,470)
GROSS PROFIT		6,219,030	6,038,809
Impairment loss on financial assets available for sale	6	-	(13,945)
Realised gain (loss) on sale of financial assets available for sale		267,218	(236,996)
Interest income		502,897	269,561
Dividend income		8,650	6,385
Share of results of an associate		-	(31,182)
Other income	3	1,089,563	934,209
Reversal of (provision for) impairment of receivables	7	1,270,563	(3,086,713)
Administrative expenses		(1,606,178)	(1,599,840)
Finance costs		(119,564)	(131,654)
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		7,632,179	2,148,634
Contribution to KFAS		(69,862)	(21,329)
NLST		(194,062)	(60,784)
Zakat		(76,384)	(22,692)
Board of directors' remuneration	18	(25,000)	(25,000)
PROFIT FOR THE YEAR		7,266,871	2,018,829
Attributable to:			
Equity holders of the Parent Company		7,397,169	2,273,316
Non-controlling interests		(130,298)	(254,487)
		7,266,871	2,018,829
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	93.85 fils	28.85 fils

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Note</i>	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Profit for the year		7,266,871	2,018,829
Other comprehensive (loss) income:			
<i>Financial assets available for sale:</i>			
- Net unrealized loss		-	(157,601)
- Recycled to consolidated income statement on sale		(267,218)	236,996
- Impairment loss transferred to consolidated income statement	6	-	13,945
Total other comprehensive (loss) income for the year		(267,218)	93,340
Total comprehensive income for the year		6,999,653	2,112,169
Attributable to:			
Equity holders of the Parent Company		7,129,951	2,366,656
Non-controlling interests		(130,298)	(254,487)
		6,999,653	2,112,169

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 KD	2011 KD
ASSETS			
Non-current assets			
Property and equipment		415,206	657,952
Intangible assets	5	22,304,727	25,050,594
Investment in an associate		62,500	62,500
Financial assets available for sale	6	4,642,044	1,632,172
		<u>27,424,477</u>	<u>27,403,218</u>
Current assets			
Accounts receivables and other assets	7	2,163,475	2,565,722
Cash and bank balances	8	16,509,719	12,001,617
		<u>18,673,194</u>	<u>14,567,339</u>
TOTAL ASSETS		<u><u>46,097,671</u></u>	<u><u>41,970,557</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	8,250,000	8,250,000
Share premium	9	10,500,000	10,500,000
Statutory reserve	10	3,440,761	2,664,513
Voluntary reserve	11	-	2,664,513
Treasury shares	12	(1,334,194)	(1,349,532)
Treasury shares reserve		-	903
Other reserve		(260,978)	(260,978)
Cumulative changes in fair values reserve		-	267,218
Retained earnings		15,567,973	8,649,424
Equity attributable to equity holders of the Parent Company		<u>36,163,562</u>	<u>31,386,061</u>
Non-controlling interests		2,644,626	2,774,924
Total equity		<u><u>38,808,188</u></u>	<u><u>34,160,985</u></u>
Non-current liabilities			
Term loans	13	150,000	950,000
Employees' end of service benefits		214,220	308,647
		<u>364,220</u>	<u>1,258,647</u>
Current liabilities			
Bank overdrafts	8	101,109	84,731
Term loans	13	800,000	800,000
Accounts payable and other liabilities	14	6,024,154	5,666,194
		<u>6,925,263</u>	<u>6,550,925</u>
Total liabilities		<u><u>7,289,483</u></u>	<u><u>7,809,572</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>46,097,671</u></u>	<u><u>41,970,557</u></u>



Nadia Abdullah Mohammad Akil
Chairman and Managing Director

Hassan Bassam El Houry
Vice Chairman

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
OPERATING ACTIVITIES			
Profit for the year		7,266,871	2,018,829
Adjustments for:			
Depreciation and amortisation		3,004,639	3,018,325
Provision for employees' end of service benefits		64,671	46,948
Realised (gain) loss on sale of financial assets available for sale		(267,218)	236,996
Interest income		(502,897)	(269,561)
Dividend income		(8,650)	(6,385)
Share of results of an associate		-	31,182
Impairment loss on financial assets available for sale	6	-	13,945
(Reversal of) provision for impairment of receivables	7	(1,270,563)	3,086,713
Gain on disposal of property and equipment		(20,653)	(12,500)
Finance costs		119,564	131,654
		<u>8,385,764</u>	<u>8,296,146</u>
Working capital changes:			
Accounts receivable and other assets		1,627,691	(539,803)
Accounts payable and other liabilities		357,960	168,811
Cash flows from operations		<u>10,371,415</u>	<u>7,925,154</u>
Employees' end of service benefits paid		(159,096)	(13,738)
Net cash flows from operating activities		<u>10,212,319</u>	<u>7,911,416</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(26,276)	(191,189)
Proceeds on sale of property and equipment		30,002	12,500
Investment in an associate		-	(92,500)
Proceeds from sale of an associates		-	793,434
Purchase of financial assets available for sale		(3,392,277)	(692,082)
Proceeds from sale of financial assets available for sale		490,528	322,438
Interest income received		440,792	283,284
Dividend income received		8,650	6,385
Net cash flows (used in) from investing activities		<u>(2,448,581)</u>	<u>442,270</u>
FINANCING ACTIVITIES			
Sale of treasury shares		53,600	115,251
Purchase of treasury shares		(42,950)	(64,600)
Repayment of term loans		(800,000)	(800,000)
Dividend paid	18	(2,363,100)	(2,360,400)
Finance costs paid		(119,564)	(131,654)
Net cash flows used in financing activities		<u>(3,272,014)</u>	<u>(3,241,403)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>4,491,724</u>	<u>5,112,283</u>
Cash and cash equivalents at the beginning of the year		11,916,886	6,804,603
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	<u>16,408,610</u>	<u>11,916,886</u>

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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 KD	Treasury shares reserve KD	Other reserve KD	Cumulative changes in fair values reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD
As at 1 January 2012	8,250,000	10,500,000	2,664,513	2,664,513	(1,349,532)	903	(260,978)	267,218	8,649,424	31,386,061	2,774,924	34,160,985
Profit (loss) for the year	-	-	-	-	-	-	-	-	7,397,169	7,397,169	(130,298)	7,266,871
Other comprehensive loss	-	-	-	-	-	-	-	(267,218)	-	(267,218)	-	(267,218)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(267,218)	7,397,169	7,129,951	(130,298)	6,999,653
Dividend paid (Note 18)	-	-	-	-	-	-	-	(2,363,100)	(2,363,100)	(2,363,100)	-	(2,363,100)
Purchase of treasury shares	-	-	-	-	(42,950)	-	-	-	-	(42,950)	-	(42,950)
Sale of treasury shares	-	-	-	-	58,288	(903)	-	-	(3,785)	53,600	-	53,600
Transfer to reserves	-	-	776,248	-	-	-	-	-	(776,248)	-	-	-
Reversal of voluntary reserve (Note 11)	-	-	-	(2,664,513)	-	-	-	-	2,664,513	-	-	-
As at 31 December 2012	8,250,000	10,500,000	3,440,761	-	(1,334,194)	-	(260,978)	-	15,567,973	36,163,562	2,644,626	38,808,188
As at 1 January 2011	8,250,000	10,500,000	2,424,057	2,424,057	(1,402,436)	3,156	(260,978)	173,878	9,217,420	31,329,154	3,029,411	34,358,565
Profit (loss) for the year	-	-	-	-	-	-	-	-	2,273,316	2,273,316	(254,487)	2,018,829
Other comprehensive income	-	-	-	-	-	-	-	93,340	-	93,340	-	93,340
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	93,340	2,273,316	2,366,656	(254,487)	2,112,169
Dividend paid	-	-	-	-	-	-	-	-	(2,360,400)	(2,360,400)	-	(2,360,400)
Purchase of treasury shares	-	-	-	-	(64,600)	-	-	-	-	(64,600)	-	(64,600)
Sale of treasury shares	-	-	-	-	117,504	(2,253)	-	-	-	115,251	-	115,251
Transfer to reserves	-	-	240,456	240,456	-	-	-	-	(480,912)	-	-	-
As at 31 December 2011	8,250,000	10,500,000	2,664,513	2,664,513	(1,349,532)	903	(260,978)	267,218	8,649,424	31,386,061	2,774,924	34,160,985

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

1 ACTIVITIES

The consolidated financial statements of United Projects Company for Aviation Services K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively the "Group") for the year ended 31 December 2012 were authorised for issue by the board of directors on 12 March 2013.

The consolidated financial statements of the Group for the year ended 31 December 2012 are subject to the approval of the General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The consolidated financial statements of the Group for the year ended 31 December 2011 approved by the shareholders of the Parent Company during annual general assembly meeting held on 19 March 2012.

The Parent Company was established as a closed Kuwaiti Shareholding Company on 4 December 2000 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company's 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 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 Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. According to article 2 of the Decree, the Company has a period of 6 months from 29 November 2012 to regularize its affairs in accordance with the Companies Law.

In 2012, Agility Public Warehousing Company K.S.C. ("Ultimate Parent Company"), a Company incorporated in Kuwait and listed in Kuwait Stock Exchange market become the Ultimate Parent Company of the Group (2011: Kuwait National Airways was the Ultimate Parent Company of the Group).

2 SIGNIFICANT ACCOUNTING POLICIES

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") and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets available for sale that have been measured at fair value. 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 Group and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (continued)

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The subsidiaries of the Group are as follows:

Name of the company	Country of incorporation	Principal activity	Ownership %	
			2012	2011
Royal Aviation Company K.S.C. (Closed)	Kuwait	Management and services	66.57	66.57
United National For Aviation Services Company W.L.L.	Kuwait	Management and services	51.00	51.00

Changes in accounting policy and disclosures

The accounting policies are consistent with those used in the previous year except for the adoption of the following amended IFRS:

Amendments to IFRS 7 – Disclosures – Transfers of financial assets

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's consolidated financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The adoption of the amendment does not have any impact on the financial position, performance of the Group or disclosures in the consolidated financial statements.

Standards issued but not yet effective

The following IASB Standards have been issued/amended but not yet mandatory, and have not been adopted by the Group:

- IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
- IAS 27 Separate Financial Statements (as revised in 2011) [effective 1 January 2013]
- IAS 28 Investments in associates and Joint Ventures (as revised in 2011) [effective 1 January 2013]
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7 (effective 1 January 2013)
- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 12 Disclosure of Involvement with Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The major changes are as follows:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with

the requirements that were in IAS 27. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The application of the above standards is not expected to have a material impact on the financial position or performance of the Group as and when they become effective or early adopted, except for IFRS 9 and IFRS 13 which may result in amendments and/or additional disclosures relating to classification, measurement and associated risks of financial instruments.

Revenue recognition

Revenue is recognised to the extent that 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. 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 the term of the lease, 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 income statement when they arise.

Services income

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

Interest income

Interest income is recorded using the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Taxation

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

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

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost less 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 income statement.

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 furniture 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 furniture and equipment. All other expenditure is recognised in the consolidated income statement 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	7 years
Sheikh Saa'd Terminal	16 years

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 income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 income statement when the asset is derecognised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of results of associate. Where there has been a change recognised directly in other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associate.

The Group's share of result of associate is shown on the face of the consolidated income statement. This is the profit attributable to equity holders of the associate.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the

Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any investment retained in the former associate at fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated income statement.

Financial instruments – initial recognition, subsequent measurement and de-recognition

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus 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, receivables and cash and bank balances. As at 31 December 2012, 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, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets available for sale (continued)

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated income statement. 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.

The Group evaluates whether the ability and intention to sell its financial assets available for sale in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available for sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated income statement over the remaining life of the investment using the effective interest rate method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables include rent receivables which are stated at original invoice amount less impairment, if any.

An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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
- 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, and 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(i) Financial assets (continued)

Impairment of financial assets

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.

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. A financial asset or a 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 have occurred after the initial recognition of the asset (an incurred 'loss event') and that 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 where observable data indicate 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 asset available for sale, the Group assesses at each reporting date whether there is an 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. Where 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 consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; 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 income statement.

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. The interest income is recorded as part of interest income. 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 income statement, the impairment loss is reversed through the consolidated income statement.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of 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.

If there is objective evidence that an impairment loss has incurred, 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 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. 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 income statement. 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 future write-off is later recovered, the recovery is credited to 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 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 income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings. 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 and borrowings, plus directly attributable transactions costs.

The Group's financial liabilities include term loans, bank overdrafts and accounts payable and other liabilities. As at 31 December 2012, the Group did not have any financial liabilities at fair value through profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments – initial recognition, subsequent measurement and de-recognition (continued)

(ii) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Term loans

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR) method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated income statement.

Liabilities

Liabilities are recognised for amounts to be paid 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, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

(iii) Offsetting

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

(iv) Fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

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 portfolio manager and time deposits with an original maturity of upto three months.

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. 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.

Other reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

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.

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 reporting date. All differences are taken to the consolidated income statement.

Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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.

Estimates and assumptions

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

Useful lives of property and equipment and intangible assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Fair value of financial instruments

Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

Impairment of property and equipment and intangible assets

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

3 OTHER INCOME

	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Miscellaneous income	215,213	359,202
Other service income	874,350	575,007
	<u>1,089,563</u>	<u>934,209</u>

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

Other service income mainly comprises income earned from cancellation of rental contracts by tenants within the period of the rental agreement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December, the Parent Company had no outstanding dilutive potential 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:

	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Profit for the year attributable to equity holders of the Parent Company	<u>7,397,169</u>	<u>2,273,316</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares, less treasury shares, outstanding during the year	<u>78,820,355</u>	<u>78,795,589</u>
Basic and diluted earnings per share	<u>93.85 fils</u>	<u>28.85 fils</u>

5 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 Built-Own-Transfer (BOT) agreement with the government of Kuwait.

	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Cost:		
As at 1 January	<u>41,187,865</u>	<u>41,187,865</u>
As at 31 December	<u>41,187,865</u>	<u>41,187,865</u>
Amortisation:		
As at 1 January	<u>16,137,271</u>	<u>13,356,922</u>
Amortisation charge for the year	<u>2,745,867</u>	<u>2,780,349</u>
As at 31 December	<u>18,883,138</u>	<u>16,137,271</u>
Net carrying amount:		
As at 31 December	<u>22,304,727</u>	<u>25,050,594</u>

The amortisation charge for the year is included as part of operating costs in the consolidated income statement.

Included in intangible assets an amount of KD 3,360,875 (2011: KD 4,323,544) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of Discovery Mall (the "Mall"). This Mall was built on a leasehold land from the government for 10 years that expires on 30 June 2013. The Management of the Group is currently negotiating for the renewal of the agreement for equivalent period and is confident that the approval of the renewal will be obtained.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

5 INTANGIBLE ASSETS (continued)

Included in intangible assets an amount of KD 8,988,401 (2011: KD 9,784,289) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). This terminal was used by Kuwait National Airways K.S.C. (previously the Ultimate Parent Company) for its airline operations. However, during 2011, Kuwait National Airways K.S.C. ceased operations and, consequently, the terminal's traffic has significantly reduced. The management of the Group has initiated discussions with alternative carriers in Kuwait to increase the utilisation of this terminal. Based on these discussions, the management is confident that it will be able to increase the utilisation for the terminal and, therefore, believes that the carrying amount of intangible assets of this terminal will be recovered from future operations. The management has not yet obtained the permission of the civil aviation authority to allow alternate carriers to operate from the Sheikh Saa'd terminal, but has applied for permission in this regard. The management is confident that the approval to allow alternate carries to operate from the terminal will be obtained.

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	2012 KD	2011 KD
Unquoted equity securities	392,044	392,044
Managed portfolios (local bonds)	4,250,000	1,240,128
	<u>4,642,044</u>	<u>1,632,172</u>

Unquoted equity securities amounting to KD 392,044 (2011: KD 392,044) which are carried at cost less impairment due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable measure of fair value. Management has performed a review of its shares to assess whether impairment has occurred in these investments. Accordingly, an impairment loss of Nil (2011: KD 13,945) was recorded the in the consolidated income statement.

Unquoted debt securities in managed portfolios amounting to KD 4,250,000 (2011: KD 1,002,837) are fair valued determined by the portfolio manager.

Managed portfolios are pledged as security against term loans (Note 13).

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2012 KD	2011 KD
Rent receivables	2,636,871	1,403,945
Due from related parties (Note 15)	-	1,354,284
Due from former shareholder	1,500,388	3,086,713
Prepayments	13,418	40,002
Other debit balances	301,424	239,967
	<u>4,452,101</u>	<u>6,124,911</u>
Less:		
Provision against impairment of receivables	<u>(2,288,626)</u>	<u>(3,559,189)</u>
	<u>2,163,475</u>	<u>2,565,722</u>

As at 31 December 2012, receivables and other assets of KD 2,288,626 (2011: KD 3,559,189) were impaired and fully provided for.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

Movements in the provision against impairment of rent receivables and amounts due from related parties were as follows:

	2012 KD	2011 KD
At the beginning of the year	3,559,189	472,476
Charge for the year	315,762	3,086,713
Reversal during the year	(1,586,325)	-
At the end of the year	<u>2,288,626</u>	<u>3,559,189</u>

During the year ended 31 December 2011, the management of the Group has recorded a provision against amounts due from Kuwait National Airways (former shareholder) with total amounts of KD 3,086,713 following the cease of Kuwait National Airways operations in Kuwait. In 2012, the annual general assembly of the Parent Company has declared dividend for the year ended 31 December 2011 of which KD 1,586,325 was payable to Kuwait National Airways.

(1591 + 45)

On 24 December 2012, Kuwait National Airways has confirmed in writing that the Parent Company has the right to partially offset amounts due from Kuwait National Airways against the dividend payable balance. Accordingly, an amount of KD 1,586,325 has been reversed in the consolidated income statement. The remaining balance of KD 1,500,388 is still under negotiation between the two parties.

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

	Total KD	Neither past due nor impaired KD	Past due but not impaired			
			1 - 30 days KD	31 - 60 days KD	61 - 90 days KD	Over 90 days KD
2012	<u>1,848,633</u>	<u>1,353,897</u>	<u>329,824</u>	<u>98,947</u>	<u>49,474</u>	<u>16,491</u>
2011	<u>2,285,753</u>	<u>1,895,134</u>	<u>260,412</u>	<u>78,124</u>	<u>39,062</u>	<u>13,021</u>

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.

8 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:

	2012 KD	2011 KD
Cash and bank balances	608,719	251,617
Short term deposits	<u>15,901,000</u>	<u>11,750,000</u>
	16,509,719	12,001,617
Bank overdrafts	<u>(101,109)</u>	<u>(84,731)</u>
	<u>16,408,610</u>	<u>11,916,886</u>

Short term deposits are denominated in KD and carry an effective interest rate ranges between 1.25% to 2.13% (2011: 0.88% to 2.88%) per annum.

Bank overdrafts carry interest ranging between 1.7% to 2.3% (2011: 1.7% to 2.3%) per annum over the Central Bank of Kuwait discount rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

9 SHARE CAPITAL AND SHARE PREMIUM

a) Share Capital

	2012 KD	2011 KD
Authorised, issued and fully paid in cash (82,500,000 shares of 100 fils each)	<u>8,250,000</u>	<u>8,250,000</u>

b) Share Premium

The share premium is not available for distribution.

10 STATUTORY RESERVE

As required by the Companies Law and the Articles of Association of the Parent Company, 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 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.

11 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.

At the board of directors meeting held on 12 March 2013, the board of directors proposed to stop the transfer to the voluntary reserve, which is subject to approval of the annual general assembly of the shareholders of the Parent Company.

12 TREASURY SHARES

	2012	2011
Number of treasury shares	<u>3,660,000</u>	<u>3,700,000</u>
Percentage of issued shares (%)	<u>4 %</u>	<u>4%</u>
Market value (KD)	<u>2,122,800</u>	<u>1,110,000</u>

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

13 TERM LOANS

	KD	<i>Effective interest rate</i>	<i>Maturity</i>
31 December 2012:			
Non-current liabilities			
Term loans	<u>150,000</u>	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	February 2014
Current liabilities			
Term loans	<u>800,000</u>	Central Bank of Kuwait discount rate plus 2.5% per annum	February 2013

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

13 TERM LOANS (continued)

31 December 2011:

Non-current liabilities

Term loans	950,000	Central Bank of Kuwait discount rate plus 3% per annum, quarterly payments	September 2013
------------	---------	---	----------------

Current liabilities

Term loans	800,000	Central Bank of Kuwait discount rate plus 2.5% per annum	February 2012
------------	---------	---	---------------

Term loans are secured by shares of a subsidiary, Royal Aviation K.S.C. (Closed), and certain financial assets available for sale (Note 6).

14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2012 KD	2011 KD
Due to contractors and suppliers	2,528,050	1,586,823
Accrued expenses	538,360	403,771
Tenant deposits	2,464,206	2,414,782
Provision for staff leave	72,815	100,828
Due to related parties (Note 15)	-	672,225
Other payables	420,723	487,765
	<u>6,024,154</u>	<u>5,666,194</u>

15 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.

Transactions and balances and with related parties are as follows:

	<i>Major Shareholders</i>	<i>Other related parties</i>	<i>31 December 2012 KD</i>	<i>31 December 2011 KD</i>
Consolidated income statement:				
Revenues	-	-	-	389,337
Interest income	-	-	-	269,561
Share of results of associates	-	-	-	(31,182)
Other income	-	-	-	115,224
Provision against impairment of receivables (Note 7)	-	-	-	(3,086,713)
General and administrative expenses	-	-	-	(5,675)
Finance costs	-	-	-	(131,654)

Balances with related parties are disclosed in notes 7 and 14. These balances are non-interest bearing and receivable/payable on demand.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

15 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Short-term benefits	245,272	213,280
Employees' end of service benefits	18,577	16,154
	<u>263,849</u>	<u>229,434</u>

16 COMMITMENTS

The Discovery Mall, car park and commercial complex of Kuwait International Airport (Note 5) are constructed on a leased land for which an annual lease payment of KD 690,888 (2011: KD 690,888) has been made. The lease payments for the future periods are as follows:

	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Not later than 5 years	3,346,440	3,418,440
Later than 5 years	3,248,328	3,867,216
	<u>6,594,768</u>	<u>7,285,656</u>

17 CONTINGENCIES

As at 31 December 2012, the Group had contingent liabilities, amounting to KD 210,975 (2011: KD 322,240), in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

18 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

At the board of directors meeting held on 12 February 2013, the directors recommended distribution of cash dividend of 197 fils (2011: 30 fils) per share for the year ended 31 December 2012 and directors' remuneration of KD 25,000 (2011: 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 annual general assembly of the shareholders of the Parent Company.

Proposed dividends for the year ended 31 December 2011 amounting to KD 2,363,100 were paid subsequent to the approval by the Parent Company's general assembly of the shareholders on 19 March 2012.

19 SEGMENTAL INFORMATION

For management purposes, the Group is organised in two operating segments "investments" and "rental and other services operations" as follows:

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

19 SEGMENTAL INFORMATION (continued)

	<i>Investments</i>		<i>Rental and other services operations</i>		<i>Total</i>	
	<i>2012 KD</i>	<i>2011 KD</i>	<i>2012 KD</i>	<i>2011 KD</i>	<i>2012 KD</i>	<i>2011 KD</i>
Segment revenues	<u>778,765</u>	<u>244,764</u>	<u>13,901,930</u>	<u>11,861,488</u>	<u>14,680,695</u>	<u>12,106,252</u>
Segment profit	<u>778,765</u>	<u>3,823</u>	<u>6,853,414</u>	<u>2,144,811</u>	<u>7,632,179</u>	<u>2,148,634</u>
Unallocated expenses					<u>(365,308)</u>	<u>(129,805)</u>
Profit for the year					<u>7,266,871</u>	<u>2,018,829</u>
Depreciation and amortisation	<u>-</u>	<u>-</u>	<u>3,004,639</u>	<u>3,018,325</u>	<u>3,004,639</u>	<u>3,018,325</u>
Assets	<u>21,214,263</u>	<u>13,696,289</u>	<u>24,823,408</u>	<u>28,274,268</u>	<u>46,097,671</u>	<u>41,970,557</u>
Liabilities	<u>-</u>	<u>-</u>	<u>7,289,483</u>	<u>7,809,572</u>	<u>7,289,483</u>	<u>7,809,572</u>

All of the Group's operations are in Kuwait.

20 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. The Group is also exposed to operational risks.

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 bank balances and receivables.

The maximum credit exposure is equal to the carrying amount of outstanding receivables and bank balances.

Receivables and other assets

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 amount due from tenants which was substantially received subsequent to the year end, there is no significant concentration of credit risk within the Group.

Cash and cash equivalents

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

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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

20 RISK MANAGEMENT (continued)

Liquidity risk (continued)

	<i>On demand KD</i>	<i>Within 3 months KD</i>	<i>3 – 12 months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
31 December 2012					
Bank overdrafts	103,131	-	-	-	103,131
Term loans	-	328,640	492,960	158,250	979,850
Accounts payable and other Liabilities	1,194,151	3,373,056	1,456,947	-	6,024,154
	1,297,282	3,701,696	1,949,907	158,250	7,107,135
31 December 2011					
Bank overdrafts	84,731	-	-	-	84,731
Term loans	-	202,750	633,000	1,084,979	1,920,729
Accounts payable and other liabilities	1,421,279	2,247,163	1,997,478	-	5,665,920
	1,506,010	2,449,913	2,630,478	1,084,979	7,671,380

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 is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank deposits, bank overdrafts and term loans. The effective interest rates are disclosed in Notes 8 and 13.

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

	<i>Increase (decrease) in basis points</i>	<i>Effect on profit before, KFAS, NLST, Zakat and board of directors' remuneration KD</i>
2012 KD	±25	40,132
2011 KD	±25	67,146

Currency risk

The Group is not exposed to significant currency risk as a significant portion of the Group's assets and liabilities are denominated in KD.

Equity price risk

The Group also has unquoted debt and equity securities which are carried at cost 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 income statement will be impacted. The Group is not materially exposed to equity price risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

20 RISK MANAGEMENT (continued)

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.

21 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and 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 2012 and 31 December 2011.

The Group monitors capital using a leverage ratio, which is net debt divided by equity attributable to equity holders of the Parent Company. 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 liabilities, less cash and cash equivalents.

	2012 KD	2011 KD
Term loans	950,000	1,750,000
Accounts payables and other liabilities	6,024,154	5,666,194
<i>Less:</i>		
Cash and cash equivalents	<u>16,408,610</u>	<u>11,916,886</u>
Net debt	<u>(10,384,456)</u>	<u>(4,500,692)</u>
Equity attributable to equity holders of the Parent Company	<u>36,163,562</u>	<u>31,386,061</u>
Gearing ratio (%)	-	-

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, receivables and cash and bank balances. Financial liabilities consist of bank overdrafts, term loans and accounts payable.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 6), are not materially different from their carrying values.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2012

22 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 December 2012				
Financial assets available for sale (Note 6)	-	-	4,250,000	4,250,000
31 December 2011				
Financial assets available for sale (Note 6)	237,291	-	1,002,837	1,240,128

During the reporting period ending 31 December 2012, there were no transfers between Level 1 and Level 2 fair value hierarchy, and no transfers into and out of Level 3 fair value hierarchy.