

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015



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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Projects Company For Aviation Services K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statements of comprehensive income, cash flows and changes in equity 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.P. (continued)**

Report on the Consolidated Financial Statements (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 2015 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 6 to the consolidated financial statements, which describes the uncertainty relating to the management's ability to renew a BOT contract. 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 1 of 2016, the executive regulation of Law No 25 of 2012, and by the Parent Company's Memorandum of Incorporation and 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 1 of 2016, the executive regulation of Law No 25 of 2012, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS



DR. SAUD HAMAD AL-HUMAIIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIIDI &
PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL

10 March 2016
Kuwait

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Revenues		12,751,574	11,946,354
Operating costs		<u>(1,220,728)</u>	<u>(1,204,335)</u>
GROSS PROFIT		11,530,846	10,742,019
General and administrative expenses		(1,285,230)	(1,266,175)
Salaries and employee benefits		(998,322)	(976,198)
Realised loss on sale of financial assets available for sale		-	(62,272)
Impairment of financial assets available for sale		-	(196,022)
Net other income	4	<u>77,115</u>	<u>234,563</u>
Profit before interest, taxation, depreciation and amortisation ("EBITDA")		9,324,409	8,475,915
Depreciation		(49,779)	(87,463)
Amortisation		<u>(2,781,369)</u>	<u>(2,746,821)</u>
Profit before interest and taxation ("EBIT")		6,493,261	5,641,631
Interest income		<u>632,529</u>	<u>293,005</u>
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Board of Directors' Remuneration		7,125,790	5,934,636
Contribution to KFAS		(70,841)	(59,970)
NLST		(178,885)	(149,926)
Zakat		(71,554)	(59,970)
Directors' remuneration	16	<u>(25,000)</u>	<u>(25,000)</u>
PROFIT FOR THE YEAR		<u>6,779,510</u>	<u>5,639,770</u>
Attributable to:			
Equity holders of the Parent Company		6,752,337	5,659,614
Non-controlling interests		<u>27,173</u>	<u>(19,844)</u>
		<u>6,779,510</u>	<u>5,639,770</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	<u>86.00 fils</u>	<u>72.08 fils</u>

The attached notes 1 to 20 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Profit for the year	6,779,510	5,639,770
Other comprehensive income	-	-
Total comprehensive income for the year	<u>6,779,510</u>	<u>5,639,770</u>
Attributable to:		
Equity holders of the Parent Company	6,752,337	5,659,614
Non-controlling interests	27,173	(19,844)
	<u>6,779,510</u>	<u>5,639,770</u>

The attached notes 1 to 20 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
ASSETS			
Non-current assets			
Property and equipment		219,809	198,552
Intangible assets	6	14,427,076	17,113,881
Financial assets available for sale	7	4,699,198	3,250,000
Loan to related party	13	9,486,326	1,055,475
		<u>28,832,409</u>	<u>21,617,908</u>
Current assets			
Accounts receivable and other assets	8	2,019,116	2,112,847
Cash and cash equivalents	9	9,267,106	13,362,613
		<u>11,286,222</u>	<u>15,475,460</u>
TOTAL ASSETS		<u><u>40,118,631</u></u>	<u><u>37,093,368</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10 (a)	8,250,000	8,250,000
Share premium	10 (b)	10,500,000	10,500,000
Statutory reserve	10 (c)	4,125,000	4,125,000
Treasury shares	11	(1,544,594)	(1,544,594)
Other reserve		(260,978)	(260,978)
Retained earnings		6,770,832	5,671,935
Equity attributable to equity holders of the Parent Company		<u>27,840,260</u>	<u>26,741,363</u>
Non-controlling interests	3	2,484,440	2,457,267
Total equity		<u>30,324,700</u>	<u>29,198,630</u>
Non-current liability			
Employees' end of service benefits		235,450	252,288
Current liability			
Accounts payable and other liabilities	12	9,558,481	7,642,450
Total liabilities		<u>9,793,931</u>	<u>7,894,738</u>
TOTAL EQUITY AND LIABILITIES		<u><u>40,118,631</u></u>	<u><u>37,093,368</u></u>

Hassan Bassam El Houry
Chairman



Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

The attached notes 1 to 20 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
OPERATING ACTIVITIES			
Profit for the year		6,779,510	5,639,770
Adjustments for:			
Depreciation and amortisation		2,831,148	2,834,284
Provision for employees' end of service benefits		91,643	48,240
Realised loss on sale of financial assets available for sale		-	62,272
Interest income		(632,529)	(293,005)
Impairment of financial assets available for sale	7	-	196,022
		<u>9,069,772</u>	<u>8,487,583</u>
Working capital changes:			
Accounts receivable and other assets		93,731	(152,422)
Accounts payable and other liabilities		1,916,031	1,015,641
Cash flows from operations		<u>11,079,534</u>	<u>9,350,802</u>
Employees' end of service benefits paid		(108,481)	(11,103)
Net cash flows from operating activities		<u>10,971,053</u>	<u>9,339,699</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(71,036)	(17,635)
Additions to intangible assets		(94,564)	(181,808)
Purchase of financial assets available for sale		(1,449,198)	-
Loan to related parties		(8,430,851)	(1,055,476)
Proceeds from sale of financial assets available for sale		-	133,750
Interest income received		632,529	293,005
Net cash flows used in investing activities		<u>(9,413,120)</u>	<u>(828,164)</u>
FINANCING ACTIVITIES			
Dividend paid	16	(5,653,440)	(6,124,560)
Cash flows used in financing activities		<u>(5,653,440)</u>	<u>(6,124,560)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(4,095,507)</u>	<u>2,386,975</u>
Cash and cash equivalents as at the beginning of the year		13,362,613	10,975,638
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	9	<u>9,267,106</u>	<u>13,362,613</u>

The attached notes 1 to 20 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Statutory reserve KD	Treasury shares KD	Other reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
As at 1 January 2015	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	5,671,935	26,741,363	2,457,267	29,198,630
Profit for the year	-	-	-	-	-	6,752,337	6,752,337	27,173	6,779,510
Total comprehensive income for the year	-	-	-	-	-	6,752,337	6,752,337	27,173	6,779,510
Dividends (Note 16)	-	-	-	-	-	(5,653,440)	(5,653,440)	-	(5,653,440)
As at 31 December 2015	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	6,770,832	27,840,260	2,484,440	30,324,700
As at 1 January 2014	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	6,136,881	27,206,309	2,477,111	29,683,420
Profit / (loss) for the year	-	-	-	-	-	5,659,614	5,659,614	(19,844)	5,639,770
Total comprehensive income / (loss) for the year	-	-	-	-	-	5,659,614	5,659,614	(19,844)	5,639,770
Dividends (Note 16)	-	-	-	-	-	(6,124,560)	(6,124,560)	-	(6,124,560)
As at 31 December 2014	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	5,671,935	26,741,363	2,457,267	29,198,630

1 CORPORATE INFORMATION

United Projects Company for Aviation Services K.S.C.P. (the "Parent Company") was established as a closed Kuwaiti shareholding company on 4 December 2000 which is listed on the Kuwait Stock Exchange. The Parent Company's registered address is 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; and
- The right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 were authorised for issue by the board of directors on 10 March 2016 and are subject to the approval of the Annual 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 Parent Company is a subsidiary of Agility Public Warehousing Company K.S.C.P (the "Ultimate Parent Company"), which is listed on the Kuwait Stock Exchange.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

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").

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 Parent Company and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

The subsidiaries of the Group are as follows:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership %</i>	
			2015	2014
Royal Aviation Company K.S.C. (Closed) ("RAC")	Kuwait	Management and services	66.57	66.57
United National For Aviation Services Company W.L.L. ("UNASC")	Kuwait	Management and services	51.00	51.00
Alarfaj Real estate Company K.S.C. (Closed) ("Arfaj")	Kuwait	Real estate and property development	96.00	96.00

Changes in accounting policy and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new or amended IFRS applicable to the Group.

IFRS 8 Operating Segments (Effective for annual periods beginning on or after 1 July 2014)

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

IFRS 13 Fair Value Measurement (Effective for annual periods beginning on or after 1 July 2014)

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

These amendments did not have material impact on the accounting policies, financial position or performance of the Group.

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 consolidated statement of income 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. 58/2007.2

Property and equipment

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

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

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

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

Intangible assets

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

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

Commercial complex of Kuwait International Airport	20 years
Discovery Mall	10 years
Sheikh Saa'd Terminal	16 years

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

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 statement of income when the asset is derecognised.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or financial assets available for sale, as appropriate. 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, loan to related party, receivables and cash and bank balances. As at 31 December 2015, 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 are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

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 statement of income 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 other comprehensive income is reclassified to the consolidated statement of income.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are shown at the balance due, net of allowance for doubtful debts. Where the time value of money is material, receivable are carried at amortised costs. An estimate for doubtful debts is made, when collection of full amount is no longer probable. Bad debts are written off when the probability of recovery is assessed as being remote.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Impairment of financial assets

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

Financial assets available for sale

For financial 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. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognised directly in other comprehensive income.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Financial assets (continued)

Impairment of financial assets (continued)

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 statement of income, the impairment loss is reversed through the consolidated statement of income .

Financial assets carried at amortised cost

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

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

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

The interest income is recorded in the consolidated statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated statement of comprehensive income .

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss , loans, borrowings and payables, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in case of loans, borrowings and payables, net of directly attributable transactions costs.

The Group's financial liabilities include accounts payable and other liabilities. As at 31 December 2015, the Group did not have any financial liabilities at fair value through profit or loss.

Subsequent measurement

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

Liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Derecognition

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

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

(iii) Offsetting

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

(iv) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

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

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

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

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 up to three months.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

Treasury shares

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

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 Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Foreign currencies

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment information

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

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 intangible assets

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

Impairment of receivables

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

Impairment of non-financial assets

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

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

Standards issued but not yet effective

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 incorporating a new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted and will replace IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017)

IFRS 15 specifies how and when an entity will recognize revenue as well as requires the entity to provide users of financial statements with more informative, relevant disclosures. The Standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard is not expected to have any impact on the financial position or performance of the Group.

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

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

IFRS 7 Financial Instruments: Disclosures regarding servicing contracts (Effective for annual periods beginning on or after 1 January 2016)

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

3 GROUP INFORMATION

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

Proportion of equity interest held by non-controlling interests:

<i>Name of the company</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Ownership %</i>	
			<i>2015</i>	<i>2014</i>
Royal Aviation Company K.S.C. (Closed) ("RAC")	Kuwait	Management and services	33.43	33.43

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

3 GROUP INFORMATION (continued)

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

	<i>2015</i>	<i>2014</i>
	<i>RAC</i>	<i>RAC</i>
	<i>KD</i>	<i>KD</i>
Summarized income statement:		
Revenues	2,050,258	2,020,579
Other income	-	-
Operating costs	(768,160)	(784,477)
Net operating expenses	(364,320)	(393,095)
EBITDA	917,778	843,007
Depreciation and amortization	(815,192)	(832,618)
EBIT	102,586	10,389
Finance cost	(21,304)	(69,748)
Profit (loss) for the year	81,282	(59,359)
Profit (loss) allocated to non-controlling interests	27,173	(19,844)

Summarised statement of financial position as at 31 December:

	<i>2015</i>	<i>2014</i>
	<i>RAC</i>	<i>RAC</i>
	<i>KD</i>	<i>KD</i>
Non-current assets	6,736,893	7,514,572
Current assets	783,968	752,083
Non-current liabilities	(29,591)	(27,168)
Current liabilities	(1,158,692)	(1,988,192)
Total equity	6,332,578	6,251,295
Accumulated balances of non-controlling interests:	2,116,981	2,089,808

Summarised cash flow information for year ended 31 December:

	<i>2015</i>	<i>2014</i>
	<i>RAC</i>	<i>RAC</i>
	<i>KD</i>	<i>KD</i>
Operating	244,775	(165,280)
Investing	-	-
Financing	-	-
Net increase / (decrease) in cash and cash equivalents	244,775	(165,280)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

4 NET OTHER INCOME

	2015 KD	2014 KD
Miscellaneous income	35,615	89,763
Other service income	41,500	144,800
	<u>77,115</u>	<u>234,563</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.

5 BASIC AND DILUTED EARNINGS PER SHARE

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

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

	2015 KD	2014 KD
Profit for the year attributable to equity holders of the Parent Company	6,752,337	5,659,614
Weighted average number of paid up shares	82,500,000	82,500,000
Weighted average number of treasury shares	(3,980,000)	(3,980,000)
Weighted average number of shares, less treasury shares, outstanding during the year	<u>78,520,000</u>	<u>78,520,000</u>
Basic and diluted earnings per share ⁰	<u>86.00 fils</u>	<u>72.08 fils</u>

6 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.

	2015 KD	2014 KD
Cost:		
As at 1 January	41,487,924	41,306,116
Additions	94,564	181,808
As at 31 December	<u>41,582,488</u>	<u>41,487,924</u>
Amortisation:		
As at 1 January	24,374,043	21,627,222
Charge for the year	2,781,369	2,746,821
As at 31 December	<u>27,155,412</u>	<u>24,374,043</u>
Net carrying amount:		
As at 31 December	<u>14,427,076</u>	<u>17,113,881</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

6 INTANGIBLE ASSETS (continued)

Included in intangible assets is an amount of KD 479,563 (2014: KD 1,438,807) 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 of the State of Kuwait for 10 years which was then extended by seven months to 28 January 2014. The management believes that the agreement will be extended for additional 4 years and the delay in the extension of the agreement is due to the completion of certain legal and administrative formalities.

Included in intangible assets is an amount of KD 6,600,704 (2014: KD 7,396,604) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). This was built on a leasehold land from the government of the State of Kuwait for 10 years which will expire on 2024. Since September 2013, The Civil Aviation Authority permitted Flydubai, one of the carriers to operate from the terminal. As a result of this, the management is confident that the carrying amount of the terminal is fully recoverable and no impairment is considered necessary.

Included in intangible assets is an amount of KD 7,346,809 (2014: KD 8,278,470) that represents the carrying value of Built-Own-Transfer (BOT) project for the construction of the car park and commercial complex of Kuwait International Airport. This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire on 2023. The management is confident that the carrying amount of the intangible asset is fully recoverable and no impairment is considered necessary.

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2015 KD	2014 KD
Unquoted equity securities	1,449,198	-
Managed portfolios (local bonds)	3,250,000	3,250,000
	<u>4,699,198</u>	<u>3,250,000</u>

Unquoted equity securities and unquoted debt securities in managed portfolios amounting to KD 4,699,198 (2014: KD 3,250,000) are carried at cost less impairment. Management has performed a review to assess whether impairment has occurred in these investments. Accordingly, an impairment loss of KD Nil (2014: KD 196,022) was recorded in the consolidated statement of income .

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2015 KD	2014 KD
Rent receivables	1,197,811	1,313,182
Prepayments	276,792	283,326
Other debit balances	688,756	653,801
	<u>2,163,359</u>	<u>2,250,309</u>
<i>Less:</i>		
Provision against impairment of receivables	<u>(144,243)</u>	<u>(137,462)</u>
	<u>2,019,116</u>	<u>2,112,847</u>

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

	2015 KD	2014 KD
As at the beginning of the year	137,462	269,818
Charge for the year	6,781	42,644
Written off during the year	-	(175,000)
	<u>144,243</u>	<u>137,462</u>

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

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

	<i>Total KD</i>	<i>Neither past due nor impaired KD</i>	<i>Past due but not impaired</i>			
			<i>1 - 30 days KD</i>	<i>31 - 60 days KD</i>	<i>61 - 90 days KD</i>	<i>Over 90 days KD</i>
2015	<u>1,053,568</u>	<u>2,675</u>	<u>237,902</u>	<u>199,159</u>	<u>112,006</u>	<u>501,826</u>
2014	<u>1,175,720</u>	<u>10,283</u>	<u>204,788</u>	<u>265,286</u>	<u>120,881</u>	<u>574,482</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.

9 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:

	<i>2015 KD</i>	<i>2014 KD</i>
Cash and bank balances	823,023	1,019,917
Short term deposits	8,444,083	12,342,696
Cash and cash equivalents	<u>9,267,106</u>	<u>13,362,613</u>

Short term deposits are denominated in KD and carry an effective interest rate range between 1% to 1.750% (2014: 1.375% to 1.80%) per annum.

10 SHARE CAPITAL AND RESERVES

a) Share capital

As at 31 December 2015, the Parent Company's authorised, issued and fully paid share capital consists of 82,500,000 shares of 100 fils each (2014: 82,500,000 shares of 100 fils each) which is fully paid in cash.

b) Share premium

The share premium is not available for distribution.

c) Statutory reserve

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

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

d) Voluntary reserve

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

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As at 31 December 2015

11 TREASURY SHARES

	<i>2015</i>	<i>2014</i>
Number of treasury shares	<u>3,980,000</u>	<u>3,980,000</u>
Percentage of issued shares (%)	<u>5%</u>	<u>5%</u>
Market value (KD)	<u>2,587,000</u>	<u>2,945,200</u>

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

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Accounts payable	1,741,389	1,836,769
Accrued expenses	470,087	426,231
Rent received in advance	4,805,476	2,152,474
Provision for staff leave	113,343	95,307
Tenant deposits	2,227,898	2,901,289
Other payables	200,288	230,380
	<u>9,558,481</u>	<u>7,642,450</u>

The accounts payable and other liabilities balances above are non-interest bearing and are settled throughout the financial year.

13 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>Ultimate parent company</i>	<i>Other related parties</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
<i>Consolidated statement of income :</i>				
Revenues	-	22,259	22,259	182,990
Operating costs	-	291,712	291,712	367,757
General and administrative expenses	-	63,219	63,219	38,153
Interest income	-	336,531	336,531	-
	<i>Ultimate parent company</i>	<i>Other related parties</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
<i>Consolidated statement of financial position:</i>				
Amounts due from related party	-	49,538	49,538	60,892
Amounts due to related party	120,881	240,722	361,603	390,845
Loan to related party	-	9,486,326	9,486,326	1,055,475
Financial assets available for sale	-	1,449,198	1,449,198	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

13 RELATED PARTY TRANSACTIONS (continued)

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

Loan to a related party represents amounts advanced by a subsidiary of the Group towards the construction and development of a commercial mall in UAE ("Project"). This amount bears annual interest of 8.5% and can be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets. The Group has contributed KD 1,449,198 in the equity of the Project as of the reporting date.

Furthermore, the Parent Company has provided bank guarantee of KD 2,129,423 (2014: Nil) and corporate guarantee of AED 202 million (KD equivalent to 16.2 million) [2014: Nil] to banks on behalf of a related party related to the Project .

Compensation of key management personnel

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

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Short-term benefits	145,692	154,400
Employees' end of service benefits	5,050	4,158
	<u>150,742</u>	<u>158,558</u>

14 COMMITMENTS

The Shaikh Saad Terminal, Discovery Mall, car park and commercial complex of Kuwait International Airport (Note 6) are constructed on a leased land for which an annual lease payment of KD 690,888 (2014: KD 690,888) has been made. The lease payments for the future periods are as follows:

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Within one year	654,888	690,888
After one year but no later than five years	2,475,552	2,511,552
Later than 5 years	1,391,664	2,010,552
	<u>4,522,104</u>	<u>5,212,992</u>

The Group has capital commitments in respect of uncalled capital in financial assets available for sale amounting to KD 5,112,720 (2014: Nil).

15 CONTINGENCIES

As at 31 December 2015, the Group had contingent liabilities, amounting to KD 2,419,113 (2014: KD 264,190), in respect of bank guarantees arising in the ordinary course of business and corporate guarantee of AED 202 million (equivalent to KD 16.2 million) [2014: Nil] from which it is anticipated that no material liabilities will arise (Note 13).

16 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

At the Board of Directors meeting held on 10 March 2016, the directors recommended distribution of cash dividend of 86 fils (2014: 72 fils) per share for the year ended 31 December 2015 and Board of Directors' remuneration of KD 25,000 (2014: 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 in respect of the year ended 31 December 2014 amounting to KD 5,653,440 were paid subsequent to the approval by the Parent Company's general assembly of the shareholders on 13 May 2015.

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17 SEGMENTAL INFORMATION

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

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

	<i>Investments</i>		<i>Rental and other services operations</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenues	<u>632,529</u>	<u>293,005</u>	<u>12,828,689</u>	<u>12,180,917</u>	<u>13,461,218</u>	<u>12,473,922</u>
Segment profit	<u>632,529</u>	<u>293,005</u>	<u>6,493,261</u>	<u>5,641,631</u>	<u>7,125,790</u>	<u>5,934,636</u>
Unallocated expenses					<u>(346,280)</u>	<u>(294,866)</u>
Profit for the year					<u>6,779,510</u>	<u>5,639,770</u>
Depreciation and amortisation	<u>-</u>	<u>-</u>	<u>2,831,148</u>	<u>2,834,284</u>	<u>2,831,148</u>	<u>2,834,284</u>
Assets	<u>23,452,630</u>	<u>16,612,613</u>	<u>16,666,001</u>	<u>20,610,755</u>	<u>40,118,631</u>	<u>37,223,368</u>
Liabilities	<u>-</u>	<u>-</u>	<u>9,793,931</u>	<u>7,894,738</u>	<u>9,793,931</u>	<u>7,894,738</u>
Other disclosures:						
Capital expenditure	<u>-</u>	<u>-</u>	<u>94,564</u>	<u>181,808</u>	<u>94,564</u>	<u>181,808</u>

Capital expenditure represents additions to intangible assets.

18 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 counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalent, receivables, loan to related party and local bonds.

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

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18 RISK MANAGEMENT (continued)

Credit risk (continued)

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

	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Cash and bank balances	9,267,106	13,362,613
Accounts receivable and other assets	2,019,116	2,112,847
Loan to related party	9,486,326	1,055,475
Managed portfolio (local bonds)	3,250,000	3,250,000
	<u>24,022,548</u>	<u>19,780,935</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.

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:

<i>2015</i>	<i>On demand KD</i>	<i>Within 3 months KD</i>	<i>3 – 12 months KD</i>	<i>Total KD</i>
Accounts payable and other liabilities*	<u>361,603</u>	<u>1,849,873</u>	<u>2,541,529</u>	<u>4,753,005</u>
	<i>On Demand KD</i>	<i>Within 3 months KD</i>	<i>3 – 12 months KD</i>	<i>Total KD</i>
Accounts payable and other liabilities*	<u>390,845</u>	<u>1,872,155</u>	<u>3,226,976</u>	<u>5,489,976</u>

*Account payables and other liabilities exclude rent received in advance

Market risk

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

Interest rate risk

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

The Group has no significant exposure to floating interest bearing assets or liabilities.

18 RISK MANAGEMENT (continued)

Market risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to loan to related party.

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

Currency	Change in currency rate in % 2015	2015 KD Profit/ (loss) before tax	2014 KD Profit/ (loss) before tax
UAE Dirhams	+5	67,858	-
	-5	(67,858)	-

Equity price risk

The Group 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 statement of income will be impacted. The Group is not materially exposed to equity price risk.

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.

19 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 2015 and 31 December 2014.

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, accounts payable and other liabilities, less cash and cash equivalents.

	2015 KD	2014 KD
Accounts payables and other liabilities	9,558,478	7,642,450
<i>Less:</i>		
Cash and cash equivalents	9,267,106	13,362,613
Net debt	<u>291,372</u>	<u>(5,720,163)</u>
Equity attributable to equity holders of the Parent Company	<u>27,840,260</u>	<u>26,741,363</u>
Gearing ratio	<u>1.05%</u>	<u>-</u>

The Group had a surplus as at 31 December 2014 and hence no gearing ratio was calculated.

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value measurement

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, accounts receivables and other assets, cash and cash equivalents and loan to related party. Financial liabilities consist of accounts payables and other liabilities. The management assesses that the fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 7), are not materially different from their carrying values.