

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

30 JUNE 2020





Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74, Safat
13001 Safat, Kuwait
Baitak Tower, 18–20th Floor
Safat Square
Ahmed Al Jaber Street
Kuwait

Tel: +965 2295 5000 /
+965 2295 2880
Fax: +965 2245 6419

www.ey.com

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of United Project Company For Aviation Services K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2020, and the related interim condensed consolidated statements of income and comprehensive income for the three months and six months period then ended, and the interim condensed consolidated statements cash flows and changes in equity for the six months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

13 August 2020
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 June 2020

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
		KD	KD	KD	KD
Revenues		522,422	3,386,692	3,219,599	6,677,503
Operating costs		(292,999)	(298,753)	(567,984)	(596,304)
GROSS PROFIT		229,423	3,087,939	2,651,615	6,081,199
General and administrative expenses		(357,194)	(678,019)	(893,482)	(1,263,026)
Salaries and employee benefits		(288,357)	(340,703)	(617,300)	(661,130)
Share of results of associates		(21,514)	(30,570)	(991,440)	(66,816)
Revaluation loss on loan to an associate		-	(135,725)	-	(85,313)
Other income (loss)		-	7,777	1,590	(26,710)
(Loss) profit before interest, taxation, depreciation and amortisation (“EBITDA”)		(437,642)	1,910,699	150,983	3,978,204
Depreciation		(90,995)	(18,413)	(105,175)	(36,985)
Amortisation		(1,670,940)	(720,864)	(3,342,670)	(1,359,857)
(Loss) profit before interest and taxation (“EBIT”)		(2,199,577)	1,171,422	(3,296,862)	2,581,362
Interest income		870	1,421,242	4,442	2,601,552
Finance cost		(539,333)	(298,775)	(1,109,516)	(747,134)
(Loss) profit before taxation		(2,738,040)	2,293,889	(4,401,936)	4,435,780
Taxation	10	-	(110,136)	-	(207,395)
(LOSS) PROFIT FOR THE PERIOD		(2,738,040)	2,183,753	(4,401,936)	4,228,385
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	(14.3) fils	14.39 fils	(22.4) fils	27.74 Fils
Attributable to:					
Equity holders of the Parent Company		(2,283,180)	2,195,910	(3,577,461)	4,233,739
Non-controlling interests		(454,860)	(12,157)	(824,475)	(5,354)
		(2,738,040)	2,183,753	(4,401,936)	4,228,385

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

United Projects Company For Aviation Services K.S.C.P. and its Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)**
For the period ended 30 June 2020

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) profit for the period	(2,738,040)	2,183,753	(4,401,936)	4,228,385
Other comprehensive loss:				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustment	(110,199)	(18,267)	93,314	(13,089)
Share of other comprehensive income (loss) of associate	90,268	(253,151)	(532,769)	(370,923)
Other comprehensive loss for the period	(19,931)	(271,418)	(439,455)	(384,012)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(2,757,971)	1,912,335	(4,841,391)	3,844,373
Attributable to:				
Equity holders of the Parent Company	(2,303,111)	1,924,492	(4,016,916)	3,849,727
Non-controlling interests	(454,860)	(12,157)	(824,475)	(5,354)
	(2,757,971)	1,912,335	(4,841,391)	3,844,373

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

		<i>30 June</i> 2020 KD	<i>(Audited)</i> 31 December 2019 KD	<i>30 June</i> 2019 KD
ASSETS				
Non-current assets				
Property and equipment		69,331	174,062	177,422
Intangible assets	4	6,160,009	9,494,470	12,070,497
Investment in an associate	5	4,576,769	6,007,664	6,088,517
Loan to an associate	5, 12	113,026,754	98,732,145	65,648,382
		<u>123,832,863</u>	<u>114,408,341</u>	<u>83,984,818</u>
Current assets				
Accounts receivable and other assets		3,479,278	3,627,292	3,729,053
Cash and cash equivalents		791,650	1,511,414	5,540,190
		<u>4,270,928</u>	<u>5,138,706</u>	<u>9,269,243</u>
TOTAL ASSETS		<u><u>128,103,791</u></u>	<u><u>119,547,047</u></u>	<u><u>93,254,061</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	8	16,450,000	16,450,000	16,450,000
Share premium	8	42,065,000	42,065,000	42,065,000
Statutory reserve		7,000,058	7,000,058	6,021,868
Treasury shares	6	(1,544,594)	(1,544,594)	(1,544,594)
Other reserve		(1,194,515)	(661,746)	(668,510)
Foreign currency translation reserve		83,773	(9,541)	(7,881)
Retained earnings		9,066,924	12,644,385	8,525,354
Equity attributable to holders of the Parent Company		<u>71,926,646</u>	<u>75,943,562</u>	<u>70,841,237</u>
Non-controlling interests		921,671	1,746,146	2,123,941
Total equity		<u>72,848,317</u>	<u>77,689,708</u>	<u>72,965,178</u>
Liabilities				
Non-current liabilities				
Loans and borrowings	7	36,395,382	25,752,074	-
Accounts payable and other liabilities		7,577,080	7,683,881	6,564,848
Employees' end of service benefits		576,197	536,177	499,407
		<u>44,548,659</u>	<u>33,972,132</u>	<u>7,064,255</u>
Current liabilities				
Loans and borrowings	7	-	-	3,500,000
Accounts payable and other liabilities		10,706,815	7,885,207	9,724,628
		<u>10,706,815</u>	<u>7,885,207</u>	<u>13,224,628</u>
Total liabilities		<u>55,255,474</u>	<u>41,857,339</u>	<u>20,288,883</u>
TOTAL EQUITY AND LIABILITIES		<u><u>128,103,791</u></u>	<u><u>119,547,047</u></u>	<u><u>93,254,061</u></u>

Tarek Ibrahim Mohammad Al Mousa
Chairman


Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson


The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 June 2020

	Note	Six months ended	
		30 June	
		2020	2019
		KD	KD
OPERATING ACTIVITIES			
(Loss) profit for the period before taxation		(4,401,936)	4,435,780
Adjustments for:			
Depreciation		105,175	36,985
Amortisation		3,342,670	1,359,857
Provision for employees' end of service benefits		40,421	45,259
Interest income		(4,442)	(2,601,552)
Share of results of an associate		991,440	66,816
Revaluation loss on loan to an associate		-	85,313
Provision for expected credit loss		224,030	410,913
Finance cost		1,109,516	747,134
		<u>1,406,874</u>	<u>4,586,505</u>
Working capital changes:			
Accounts receivable and other assets		(76,764)	(484,484)
Accounts payable and other liabilities		2,010,508	(1,047,332)
		<u>3,340,618</u>	<u>3,054,689</u>
Cash flows from operations		3,340,618	3,054,689
Employees' end of service benefits paid		(401)	(5,696)
		<u>3,340,217</u>	<u>3,048,993</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(444)	(7,055)
Additions to intangible assets		(8,209)	(313,570)
Additions to loan to an associate		(14,294,609)	(21,242,067)
Interest income received		5,190	144,245
		<u>(14,298,072)</u>	<u>(21,418,447)</u>
FINANCING ACTIVITIES			
Issue of share capital	8	-	18,012,500
Proceeds from loans and borrowings		10,843,308	2,500,000
Repayment of loan and borrowings		(200,000)	(3,400,000)
Dividends paid		-	(3,353,190)
Finance cost paid		(405,217)	(61,426)
		<u>10,238,091</u>	<u>13,697,884</u>
Net cash flows from financing activities		10,238,091	13,697,884
NET DECREASE IN CASH AND CASH EQUIVALENTS		(719,764)	(4,671,570)
Cash and cash equivalents as at 1 January		1,511,414	10,211,760
CASH AND CASH EQUIVALENTS AS AT 30 JUNE		791,650	5,540,190

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2020

	<i>Attributable to equity holders of the Parent Company</i>									<i>Total KD</i>
	<i>Share Capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Treasury shares KD</i>	<i>Other reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non- controlling interests KD</i>	
As at 1 January 2020	16,450,000	42,065,000	7,000,058	(1,544,594)	(661,746)	(9,541)	12,644,385	75,943,562	1,746,146	77,689,708
Loss for the period	-	-	-	-	-	-	(3,577,461)	(3,577,461)	(824,475)	(4,401,936)
Other comprehensive (loss) income for the period	-	-	-	-	(532,769)	93,314	-	(439,455)	-	(439,455)
Total comprehensive (loss) income for the period	-	-	-	-	(532,769)	93,314	(3,577,461)	(4,016,916)	(824,475)	(4,841,391)
As at 30 June 2020	16,450,000	42,065,000	7,000,058	(1,544,594)	(1,194,515)	83,773	9,066,924	71,926,646	921,671	72,848,317

	<i>Attributable to equity holders of the Parent Company</i>									<i>Total KD</i>
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Treasury shares KD</i>	<i>Other reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non- controlling interests KD</i>	
As at 1 January 2019	13,175,000	27,327,500	6,021,868	(1,544,594)	(297,587)	5,208	7,644,805	52,332,200	2,129,295	54,461,495
Profit for the period	-	-	-	-	-	-	4,233,739	4,233,739	(5,354)	4,228,385
Other comprehensive loss for the period	-	-	-	-	(370,923)	(13,089)	-	(384,012)	-	(384,012)
Total comprehensive (loss) income for the period	-	-	-	-	(370,923)	(13,089)	4,233,739	3,849,727	(5,354)	3,844,373
Share capital increase (Note 8)	3,275,000	14,737,500	-	-	-	-	-	18,012,500	-	18,012,500
Dividend paid (Note 8)	-	-	-	-	-	-	(3,353,190)	(3,353,190)	-	(3,353,190)
As at 30 June 2019	16,450,000	42,065,000	6,021,868	(1,544,594)	(668,510)	(7,881)	8,525,354	70,841,237	2,123,941	72,965,178

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of United Projects Company for Aviation Services K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) for the period ended 30 June 2020 were authorised for issue by the Board of Directors on 13 August 2020.

The Parent Company was established as a Kuwaiti Shareholding Company on 4 December 2000 and its registered address is Kuwait International Airport, P.O. Box 27068, Safat 13131, Kuwait. The main objectives of the Parent Company are:

- ▶ Providing airplane ground and cleaning services and supply of water and other airplane supplies;
- ▶ Leasing out airplanes;
- ▶ Tourism, travel and cargo shipment services;
- ▶ Managing projects;
- ▶ Investing surplus funds in investment portfolios managed by specialised institutions;
- ▶ The right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.
- ▶ Management and development of real estate activities including real estate consultancy services;
- ▶ General trading of construction materials, equipment and real estate;
- ▶ To own, lease and rent out land and real estate properties;
- ▶ Sharing in executing the infrastructure for the housing, trading and industrial projects and manage real estate facilities under BOT regulations.

The Parent Company is listed on the Kuwait Stock Exchange and is a subsidiary of Agility Public Warehousing Company K.S.C.P. (“Ultimate Parent Company”), which is also listed on the Kuwait Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the shareholders at the AGM held on 29 June 2020.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019. In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Operating results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”) and is also the functional currency of the Parent Company.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019.

2.3 New standards, interpretations and amendments adopted by the Group

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share is calculated by dividing (loss) profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) / profit for the period attributable to equity holders of the Parent Company	(2,283,180)	2,195,910	(3,577,461)	4,233,739
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of paid up shares	164,500,000	157,437,280	164,500,000	157,437,280
Less: Weighted average number of treasury shares	(4,824,307)	(4,824,307)	(4,824,307)	(4,824,307)
Weighted average number of ordinary shares outstanding during the period	159,675,693	152,612,973	159,675,693	152,612,973
Basic and diluted (loss) earnings per share	(14.3) fils	14.39 fils	(22.4) fils	27.74 fils

4 INTANGIBLE ASSETS

Discovery Mall

Included in intangible assets is a fully amortised intangible asset (31 December 2019: KD NIL and 30 June 2019: KD NIL) that represents Built-Operate-Transfer (BOT) project for the construction of Discovery Mall (the "Mall"). This Mall was built on leasehold land from the Touristic Enterprise Company ("TEC") for an initial period of 10 years which was then extended by seven months to 28 January 2014 based on a TEC letter dated 20 February 2013. Since there were various delays in receiving the leasehold land from TEC, which resulted in an adverse effect on the investment term, the Parent Company requested a renewal to the contract for an additional period and had subsequently filed a compensation claim. However, TEC filed a lawsuit requesting the Parent Company to withdraw from the Mall and deliver it back to TEC. On 11 February 2015, the First Instance Court ruled in favor of TEC acknowledging the initial expiration of the contract as of 30 June 2013. The Parent Company however appealed the judgment and challenged it to suspend the execution of aforementioned ruling which the Court of Cassation accepted on 24 June 2015. On 10 October 2018, the Court of Appeal confirmed the First Instance ruling in favour of TEC and requested the Parent Company to evacuate the Mall and hand it over to TEC. The Parent Company challenged the ruling in the Cassation Court. On 8 January 2020, the Court of Cassation rejected the Parent Company's challenge to this decision and ruled in favour of TEC. However, on 13 February 2020 and subsequent to the above ruling, the Parent Company and TEC further agreed to postpone the handover of the mall for a further period of six months starting from 12 February 2020 until 12 August 2020 in return for a fixed payment of KD 75 thousand to TEC. On 29 July 2020, the Parent Company received official notice from TEC to vacate the Mall upon completion of extension period.

Sheikh Saa'd Terminal

Included in intangible assets is an amount of KD NIL (31 December 2019: KD 2,298,629 and 30 June 2019: KD 3,840,816) that represents the carrying value of Built-Operate-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). On 17 May 2020, Group have received an extension for six months for handover of the terminal until 27 December 2020. The Group is currently undergoing discussions with regards to scope, fees and components to facilitate the finalisation of the above proposed extension.

Commercial complex of Kuwait International Airport

Included in intangible assets is an amount of KD 2,648,681 (31 December 2019: KD 3,193,156 and 30 June 2019: KD 3,742,749) that represents the carrying value of Build- Operate -Transfer (BOT) project for the construction of the car park and commercial complex of Kuwait International Airport. This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire on 2023.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

4 INTANGIBLE ASSETS (continued)

Kuwait Airways Terminal-4 Parking project

The Group entered into a service concession arrangement with Directorate General of Civil Aviation of Kuwait (the “Grantor”) to operate a pre-existing parking and related facilities at the new Kuwait Airways dedicated Terminal 4 (“Facilities”).

Under the terms of the agreement, the Group will operate and make facilities available to the public for a period of five years, starting from 9 February 2019.

As at 30 June 2020, intangible assets include KD 3,511,328 (31 December 2019: KD 4,002,685 and 30 June 2019: KD 4,486,932) relating to this arrangement and liability of KD 3,931,815 which represents the minimum fixed payments that will be paid by the Group to the Grantor over the term of the concession arrangement, discounted at a rate of 6%.

5 RELATED PARTY TRANSACTIONS

These represents 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 Parent Company’s management.

Transactions and balances with related parties are as follows:

	<i>Ultimate Parent Company KD</i>	<i>Other related parties KD</i>	<i>Six months ended 30 June</i>		
			<i>2020 KD</i>	<i>2019 KD</i>	
<i>Interim condensed consolidated statement of income:</i>					
Revenues	-	200	200	111,311	
Operating costs	-	(145,622)	(145,622)	(133,868)	
General and administrative expenses	-	(31,693)	(31,693)	(9,363)	
Share of results of an associate	-	(991,440)	(991,440)	(66,817)	
Finance cost	(86,205)	-	(86,205)	(261,049)	
Interest income	-	-	-	2,437,615	
	<i>Ultimate Parent Company KD</i>	<i>Other related parties KD</i>	<i>30 June 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 June 2019 KD</i>
<i>Interim condensed consolidated statement of financial position:</i>					
Amounts due from related parties (included in accounts receivable and other assets)	-	-	-	103,213	-
Amounts due to related parties (included in accounts payable and other liabilities)	(4,219,476)	(16,893)	(4,236,369)	(819,683)	(617,443)
Loan to an associate ¹	-	113,026,754	113,026,754	98,732,145	65,648,382

Amounts due from/to related parties are receivable/payable on demand except for certain loan advanced to an associate.

¹ Loan to an associate represents amounts advanced by a subsidiary of the Group towards the construction and development of a commercial mall in UAE (“Project”). This amount bears compounded annual interest rates as per the loan agreement and carries with it the option, at the sole discretion of the Parent Company, to be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

5 RELATED PARTY TRANSACTIONS (continued)

In response to the economic impact of Covid-19, the Parent Company has not recognised interest income for the period ended 30 June 2020. The Group has contributed KD 6,580,301 (31 December 2019: KD 6,580,301 and 30 June 2019: KD 6,580,301 in the equity of the Project.

Compensation of key management personnel

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

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Short-term benefits	109,713	111,049
Employees' end of service benefits	12,331	16,045
	<u>122,044</u>	<u>127,094</u>

6 TREASURY SHARES

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
Number of treasury shares (shares)	4,824,307	4,824,307	4,824,307
Percentage of issued shares (%)	3%	3%	3%
Market value (KD)	2,243,303	2,470,045	2,002,087
Cost (KD)	1,544,594	1,544,594	1,544,594

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

7 LOANS AND BORROWINGS

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Borrowing facility	36,395,382	25,752,074	3,500,000

During the year ended 31 December 2017, the Parent Company signed a syndicated loan agreement consisting of two facilities with a local bank for an amount of KD 50,100,000 to finance the construction, development of a commercial mall in UAE, the Project (Note 5), and for working capital requirements of the Parent Company. This loan facility bears finance cost of 3% above CBK discount rate per annum and is repayable on 31 December 2022.

8 SHARE CAPITAL AND SHARE PREMIUM

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
<i>Authorised shares</i>			
Ordinary shares of 100 fils each	382,500,000	382,500,000	382,500,000

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

8 SHARE CAPITAL AND SHARE PREMIUM (continued)

	30 June 2020 KD	<i>(Audited)</i> 31 December 2019 KD	30 June 2019 KD
<i>Ordinary shares issued and fully paid</i>			
As at 1 January	164,500,000	131,750,000	131,750,000
Issued during the period (2019: KD 100 fils per share)	-	32,750,000	32,750,000
	<u>164,500,000</u>	<u>164,500,000</u>	<u>164,500,000</u>

The Parent Company made a rights issue to its shareholders as follows:

	30 June 2020 KD	<i>(Audited)</i> 31 December 2019 KD	30 June 2019 KD
<i>Rights issue at 550 fils</i>			
Share capital (32,750,000 shares at 100 fils)	-	3,275,000	3,275,000
Share premium at (32,750,000 shares at 450 fils)	-	14,737,500	14,737,500
	<u>-</u>	<u>18,012,500</u>	<u>18,012,500</u>

At the Annual General Assembly of the shareholders of the Parent Company held on 29 June 2020, the shareholders approved the distribution of cash dividends of Nil fils per share (2018: 21 fils) amounting to KD Nil for the year ended 31 December 2019 (2018: KD 3,353,190) for shareholders registered on the appropriate regulatory approval date.

9 OPERATING SEGMENT INFORMATION

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Investments</i>		<i>Services operations</i>		<i>Total</i>	
	<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>		<i>30 June</i>	
	2020	2019	2020	2019	2020	2019
	KD	<i>KD</i>	KD	<i>KD</i>	KD	<i>KD</i>
<i>Interim condensed consolidated statement of income:</i>						
Segment revenue	-	2,601,552	3,225,631	6,650,793	3,225,631	9,252,345
Segment (loss) profit	(1,988,759)	1,967,001	(2,413,177)	2,468,779	(4,401,936)	4,435,780
Unallocated expenses					-	(207,395)
(Loss) profit for the period					(4,401,936)	4,228,385
Depreciation and amortisation			3,447,845	1,396,842	3,447,845	1,396,842

	<i>Investments</i>			<i>Services operations</i>			<i>Total</i>		
	30 June	<i>(Audited)</i>		30 June	<i>(Audited)</i>		30 June	<i>(Audited)</i>	
		2020	<i>31 December</i>		<i>30 June</i>	<i>31 December</i>		<i>30 June</i>	<i>31 December</i>
	KD	<i>KD</i>	<i>KD</i>	KD	<i>KD</i>	<i>KD</i>	KD	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>									
Assets	117,945,346	105,393,058	75,212,866	10,158,445	14,153,989	18,041,195	128,103,791	119,547,047	93,254,061
Liabilities	36,395,382	25,752,074	-	18,860,092	16,105,265	20,288,883	55,255,474	41,857,339	20,288,883
Additions to non-current assets:									
Concession intangible assets	-	-	-	-	4,594,327	-	-	4,594,327	-
Other intangible assets	-	-	-	-	369,303	-	-	369,303	-
Investment in an associate	4,576,769	6,007,664	6,088,517	-	-	-	4,576,769	6,007,664	6,088,517
Capital expenditure	-	-	-	8,209	-	313,570	8,209	-	313,570

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

10 TAXATION

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
National labour support tax (“NLST”)	-	60,999	-	113,918
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)	-	24,400	-	46,570
Zakat	-	24,737	-	46,907
	-	110,136	-	207,395

11 COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2020, the Group had commitments, amounting to KD 23,150,000 (31 December 2019: KD 37,000,000 and 30 June 2019: KD 66,600,000), in respect of financing construction and development of a commercial mall in UAE.

Contingencies

As at 30 June 2020, the Group had contingent liabilities, amounting to KD 868,245 (31 December 2019: KD 868,245 and 30 June 2019: 868,245), in respect of bank guarantees arising in normal course of business from which it is anticipated that no material liabilities will arise.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of accounts receivables and other assets, cash and cash equivalents and loan to an associate. Financial liabilities consist of loans and borrowings, accounts payables and other liabilities excluding rent received in advance. The management assesses that the carrying amount of financial instruments is a reasonable approximation of fair value.

Loan to an associate is classified as Level 3.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Loan to an associate</i>			
At the beginning of the period	98,732,145	42,054,013	42,054,013
Net purchases, sales, transfers and settlements	14,294,609	56,809,836	23,679,682
Loss recognised in consolidated statement of income	-	(131,704)	(85,313)
At the end of the period	113,026,754	98,732,145	65,648,382

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

13 IMPACT OF COVID-19

The COVID-19 outbreak has developed and spread across various geographies rapidly in 2020 and declared as a global pandemic, causing disruption to businesses and increased uncertainties in the economic activities. Many governments have undertaken various measures to contain the spread of the virus and imposed restrictions on travelling and placed quarantine measures. Accordingly, on 13th March 2020, Directorate of Civil General Administration (“DCGA”) resolved to suspend all inbound and outbound flights to State of Kuwait except cargo and evacuation flights. This had a direct impact on the revenue and operations of the Group.

The currently known impact of COVID-19 on the Group are the following resulting in a loss for the period ended 30 June 2020:

- ▶ A decline in revenues for the first six months of 2020 compared to the same period in 2019 by 52% due to rent concessions provided to lessees and government measures taken to temporarily close operations.
- ▶ A suspension of interest income on the loan to an associate, which would otherwise have resulted in interest income of KD 4,626,989 for the six months period ended 30 June 2020.

Despite the fact that current liabilities exceed current assets by KD 6,435,887 as of 30 June 2020, the Group believes this has no prolonged negative impact and pressure of its liquidity since KD 2,686,996 of the current liabilities represent rent received in advance which will be recognized as rental income over the year. In response to this crisis, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group has taken measures to minimize liquidity risks, through a combination of salary and allowances cuts and deferral of non-essential costs. The Group believes that as at 30 June 2020, liquidity position of the Group is stable and its existing balances of cash and cash equivalent, along with undrawn borrowings will be sufficient to satisfy its liquidity requirements.

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak on its receivables. The Group’s exposure to tenant credit risk is influenced mainly by the individual characteristics of each tenant. Tenant credit risk is managed by requiring tenants to pay rent advances therefore, substantially eliminating the Group’s credit risk in this respect. The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Loan to Associate and investment in associates

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the loan to an associate and these are considered to represent management's best assessment based on observable information. Markets and the economy however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these assets as and when they occur.

Impairment of intangible assets

Due to the decline in revenue on account of Covid-19 pandemic and the suspension of operations, the Group assessed the impairment of intangible assets as at 30 June 2020. The recoverable amount measured of the cash generating units have been determined based on the value in use calculated using cash flow projections approved by the management for the tenure of the BOT agreements. Based on its impairment assessment, the Group has concluded that the carrying value of the intangible assets exceed the recoverable amount.

Given the ongoing economic uncertainties and likely significant risks that may impact the business in future, the effects of COVID-19 may not be fully reflected in the Group’s financial results until future periods. The Group is taking proactive measures to monitor and manage the situation to the best of its abilities to support the long-term continuity of its business.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena