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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 SEPTEMBER 2018

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

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

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 September 2018, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months period and nine months period then ended, and the interim condensed statement of cash flows and the interim condensed statement of changes in equity for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting 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.

Emphasis of matter

We draw attention to Note 4 to the interim condensed consolidated financial information, which describes the uncertainty relating to the management's ability to renew a BOT contract that may have an impact on a portion of the Group's operations in the future relating to this BOT contract. Our conclusion is not modified in respect of this matter.

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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. (continued)

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 nine months period ended 30 September 2018 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

5 November 2018
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2018

		Three months ended 30 September		*Nine months ended 30 September*	
	Notes	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*
Revenues		**3,433,205**	3,581,674	**10,528,371**	10,520,433
Operating costs		**(280,076)**	(314,772)	**(958,161)**	(956,211)
GROSS PROFIT		**3,153,129**	3,266,902	**9,570,210**	9,564,222
General and administrative expenses		**(481,194)**	(390,756)	**(1,433,662)**	(1,328,539)
Salaries and employee benefits		**(303,382)**	(326,344)	**(851,913)**	(871,264)
Foreign currency loss		**-**	(131,708)	**-**	(337,841)
Unrealised gain on financial asset at fair value through profit or loss		**13,723**	-	**184,349**	-
Other income		**2,000**	10,172	**121,929**	61,119
Profit before interest, taxation, depreciation and amortisation ("EBITDA")		**2,384,276**	2,428,266	**7,590,913**	7,087,697
Depreciation		**(20,526)**	(18,981)	**(59,479)**	(51,184)
Amortisation		**(470,184)**	(471,785)	**(1,405,153)**	(1,404,442)
Profit before interest and taxation ("EBIT")		**1,893,566**	1,937,500	**6,126,281**	5,632,071
Interest income		**944,584**	584,958	**2,367,392**	1,567,878
Finance cost		**(239,455)**	-	**(558,232)**	-
Profit before taxation		**2,598,695**	2,522,458	**7,935,441**	7,199,949
Taxation	10	**(129,939)**	(109,213)	**(359,456)**	(310,563)
PROFIT FOR THE PERIOD		**2,468,756**	2,413,245	**7,575,985**	6,889,386
Attributable to:					
Equity holders of the Parent Company		**2,457,665**	2,403,835	**7,522,250**	6,856,125
Non-controlling interests		**11,091**	9,410	**53,735**	33,261
		2,468,756	2,413,245	**7,575,985**	6,889,386
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	**19.36 fils**	25.26 fils	**59.26 fils**	72.04 fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2018

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
Profit for the period	**2,468,756**	2,413,245	**7,575,985**	6,889,386
Other comprehensive income:				
Items that will not be reclassified subsequently to interim condensed consolidated statement of income:				
Changes in the fair value of equity instruments at fair value through other comprehensive income	**275**	-	**5,323**	-
Other comprehensive income for the period	**275**	-	**5,323**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,469,031**	**2,413,245**	**7,581,308**	6,889,386
Attributable to:				
Equity holders of the Parent Company	**2,457,940**	2,403,835	**7,527,573**	6,856,125
Non-controlling interests	**11,091**	9,410	**53,735**	33,261
	2,469,031	**2,413,245**	**7,581,308**	6,889,386

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

ASSETS	*Notes*	*30 September 2018 KD*	*(Audited) 31 December 2017 KD*	*30 September 2017 KD*
Non-current assets				
Property and equipment		**243,266**	283,580	301,250
Intangible assets	4	**8,913,575**	10,224,312	10,689,505
Financial assets available for sale	5	-	1,449,198	1,449,198
Financial assets at fair value through other comprehensive income	5	**1,322,904**	-	-
Loan to a related party	5	**43,143,712**	30,022,447	27,296,747
		53,623,457	41,979,537	39,736,700
Current assets				
Accounts receivable and other assets		**3,846,781**	3,499,184	3,705,746
Cash and cash equivalents		**12,042,474**	7,679,086	8,106,318
		15,889,255	11,178,270	11,812,064
TOTAL ASSETS		**69,512,712**	53,157,807	51,548,764
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**13,175,000**	10,000,000	10,000,000
Share premium	8	**27,327,500**	10,500,000	10,500,000
Statutory reserve		**5,000,000**	5,000,000	4,125,000
Treasury shares	6	**(1,544,594)**	(1,544,594)	(1,544,594)
Other reserve		**(260,978)**	(260,978)	(260,978)
Foreign currency translation reserve		-	(333,914)	-
Cumulative change in fair value		**(126,294)**	-	-
Retained earnings		**6,549,209**	15,480,385	13,567,040
Equity attributable to holders of the Parent Company		**50,119,843**	38,840,899	36,386,468
Non-controlling interests		**2,177,505**	2,123,770	2,493,501
Total equity		**52,297,348**	40,964,669	38,879,969
Liabilities				
Non-current liabilities				
Accounts payable and other liabilities		**4,057,550**	4,774,891	4,398,583
Employees' end of service benefits		**455,897**	399,990	382,984
		4,513,447	5,174,881	4,781,567
Current liabilities				
Loans and borrowings	7	**4,400,000**	-	-
Accounts payable and other liabilities		**8,301,917**	7,018,257	7,887,228
		12,701,917	7,018,257	7,887,228
Total liabilities		**17,215,364**	12,193,138	12,668,795
TOTAL EQUITY AND LIABILITIES		**69,512,712**	53,157,807	51,548,764

Tarek Ibrahim Mohammad Al Mousa
Chairman

Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2018

	Notes	*Nine months ended 30 September*	
		2018 ***KD***	*2017* *KD*
OPERATING ACTIVITIES			
Profit for the period before taxation		**7,935,442**	7,199,949
Adjustments for:			
Depreciation and amortisation		**1,464,632**	1,455,626
Provision for employees' end of service benefits		**65,603**	100,579
Interest income		**(2,367,392)**	(1,567,878)
Foreign currency loss		**-**	337,841
Unrealised gain on financial asset at fair value through profit or loss		**(184,349)**	-
Provision for expected credit loss		**173,816**	-
Finance cost		**558,232**	-
		7,645,984	7,526,117
Working capital changes:			
Accounts receivable and other assets*		**(1,326,698)**	(1,004,200)
Accounts payable and other liabilities		**(8,191)**	820,697
Cash flows from operations		**6,311,095**	7,342,614
Employees' end of service benefits paid		**(9,696)**	(22,156)
Net cash flows from operating activities		**6,301,399**	7,320,458
INVESTING ACTIVITIES			
Purchase of property and equipment		**(19,165)**	(71,597)
Additions to intangible assets		**(94,416)**	(22,153)
Proceeds from maturity of financial assets available for sale		**-**	1,300,000
Loan to a related party		**(10,749,912)**	(5,803,471)
Interest income received		**224,169**	76,047
Net cash flows used in investing activities		**(10,639,324)**	(4,521,174)
FINANCING ACTIVITIES			
Issue of share capital	8	**20,002,500**	-
Proceeds from loans and borrowings	7	**5,900,000**	-
Repayment of loan and borrowings	7	**(1,500,000)**	
Dividends paid	8	**(15,358,009)**	-
Finance cost paid		**(343,178)**	-
Net cash flows from financing activities		**8,701,313**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,363,388**	2,799,284
Cash and cash equivalents as at 1 January		**7,679,086**	5,307,034
CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER		**12,042,474**	8,106,318
*Non-Cash transactions:			
Impact of IFRS 9 - accounts receivable and other assets	2.2	**805,284**	-

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2018

	Attributable to equity holders of the Parent Company										
	Share capital KD	Share premium KD	Statutory reserve KD	Treasury shares KD	Other reserve KD	Foreign currency translation reserve KD	Cumulative change in fair value KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
As at 1 January 2018	10,000,000	10,500,000	5,000,000	(1,544,594)	(260,978)	(333,914)	-	15,480,385	38,840,899	2,123,770	40,964,669
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2.2)	-	-	-	-	-	333,914	(131,617)	(1,095,417)	(893,120)	-	(893,120)
As at 1 January 2018 (restated)	10,000,000	10,500,000	5,000,000	(1,544,594)	(260,978)	-	(131,617)	14,384,968	37,947,779	2,123,770	40,071,549
Profit for the period	-	-	-	-	-	-	-	7,522,250	7,522,250	53,735	7,575,985
Other comprehensive income for the period	-	-	-	-	-	-	5,323	-	5,323	-	5,323
Total comprehensive income for the period	-	-	-	-	-	-	5,323	7,522,250	7,527,573	53,735	7,581,308
Dividends paid (Note 8)	-	-	-	-	-	-	-	(15,358,009)	(15,358,009)	-	(15,358,009)
Issuance of share capital (Note 8)	3,175,000	16,827,500	-	-	-	-	-	-	20,002,500	-	20,002,500
As at 30 September 2018	**13,175,000**	**27,327,500**	**5,000,000**	**(1,544,594)**	**(260,978)**	-	**(126,294)**	**6,549,209**	**50,119,843**	**2,177,505**	**52,297,348**
As at 1 January 2017 (Audited)	8,250,000	10,500,000	4,125,000	(1,544,594)	(260,978)	-	-	8,460,915	29,530,343	2,460,240	31,990,583
Total comprehensive income for the period	-	-	-	-	-	-	-	6,856,125	6,856,125	33,261	6,889,386
Issue of bonus shares	1,750,000	-	-	-	-	-	-	(1,750,000)	-	-	-
As at 30 September 2017	10,000,000	10,500,000	4,125,000	(1,544,594)	(260,978)	-	-	13,567,040	36,386,468	2,493,501	38,879,969

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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 September 2018 were authorised for issue by the Board of Directors on 5th November 2018.

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.

During the period, on 21 February 2018, the Parent Company has incorporated a new subsidiary in State of Kuwait, namely, UPAC Real Estate Company K.S.C.C., with capital of KD 3,250,000 and ownership of 96% engaged in the purchase, sale, and management of real estate properties.

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 2017. 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 2018.

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 2017, except for the changes described below arising from the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' effective from 1 January 2018.

The Group has decided to adopt the policy of disclosing the items of other comprehensive income in a separate statement and accordingly presented the interim condensed consolidated statement of comprehensive income for the period ended 30 September 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers
The Group has adopted IFRS 15 Revenue from contracts with customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The adoption of this standard does not result in any change in accounting policies of the Group and does not have any material effect on the Group's interim condensed consolidated financial information.

IFRS 9 Financial Instruments
The Group has adopted IFRS 9 Financial Instruments effective from 1 January 2018. IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

Classification and Measurement of Financial assets

The Group classifies its financial assets upon initial recognition into the following categories:
- Financial assets carried at amortised cost
- Financial assets carried at fair value through other comprehensive income ("FVOCI")
- Financial assets carried at fair value through profit or loss ("FVPL")

Financial assets carried at amortised cost:

A financial asset is carried at amortised cost if it meets both of the following conditions:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective yield method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

a) Equity investments at FVOCI

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative change in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

b) Financial asset carried at FVPL

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)
Classification and Measurement of Financial assets (continued)

b) Financial assets carried at FVPL (continued)
Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVPL. Financial assets at FVPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of income. Interest is recognised using the effective yield method. Dividend income from equity investments measured at FVPL is recognised in the consolidated statement of income when the right to the payment has been established.

Financial assets carried through FVPL includes loan to a related party.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

Impact of Adopting IFRS 9
The impact of this change in accounting policy as at 1 January 2018 is as follows:

	Retained earnings	*Cumulative change in fair value*	*Foreign currency translation reserve*
Closing balance under IAS 39 (31 December 2017)	**15,480,385**	-	**(333,914)**
Impact on reclassification and re-measurements:			
Investment securities - equity from available-for-sale previously carried at cost to FVOCI	-	**(131,617)**	-
Debt securities - debt from loan to a related party to FVPL	**(290,133)**	-	**333,914**
Impact on recognition of ECL on financial assets:			
ECL under IFRS 9 for financial assets – accounts receivable at amortised cost	**(805,284)**	-	-
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**14,384,968**	**(131,617)**	-

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9
The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Remeasurement KD*	*New carrying amount under IFRS 9 KD*
Loan to a related party	Loans and receivables	Debt instruments at FVPL	**30,022,447**	**43,781**	**30,066,228**
Financial assets available for sale – equity securities	Financial assets available for sale	Equity instruments at FVOCI	**1,449,198**	**(131,617)**	**1,317,581**
Accounts receivables and other assets	Loans and receivables	Amortised cost	**3,499,184**	**(805,284)**	**2,693,900**
Cash and cash equivalents	Loans and receivable	Amortised cost	**7,679,086**	-	**7,679,086**
Total financial assets			**42,649,915**	**(893,120)**	**41,756,795**

The application of these policies resulted in the reclassifications set out in the table above. On adoption of IFRS 9, loan to a related party was reclassified out of the loans and receivables category to FVPL since the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

Expected credit losses (ECL)
The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to retained earnings amounting to KD 805,284 and an additional charge in the current period interim condensed consolidated statement of income amounting to 173,816.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing 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:

	Three months ended 30 September		*Nine months ended 30 September*	
	2018 KD	*2017 KD*	***2018 KD***	*2017 KD*
Profit for the period attributable to equity holders of the Parent Company	**2,457,665**	2,403,835	**7,522,250**	6,856,125
	Shares	*Shares*	***Shares***	*Shares*
Weighted average number of paid up shares	**131,750,000**	100,000,000	**131,750,000**	100,000,000
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	**126,925,693**	95,175,693	**126,925,693**	95,175,693
Basic and diluted earnings per share	**19.36 fils**	25.26 fils	**59.26 fils**	72.04 fils

4 INTANGIBLE ASSETS

Included in intangible assets is a fully amortised intangible asset (31 December 2017: KD Nil and 30 September 2017: KD Nil) that represents Built-Own-Transfer (BOT) project for the construction of Discovery Mall (the "Mall"). This Mall was built on a leasehold land from the Touristic Enterprise Company ("TEC") for an initial period of 10 years which was then extended by seven months to 28 January 2014. 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 to renew the contract for an additional period and has subsequently filed a compensation claim. However, TEC has filed a lawsuit requesting the Parent Company to withdraw from the Mall and deliver the Mall back. The First Instance court ruled in favor of TEC acknowledging the initial expiration of the contract. The Parent Company appealed the judgement which was subsequently transferred to a committee of experts to assess the overall damages and compensation. The Parent Company also submitted recourse before the Cassation Court, which ruled that the execution judgement should be suspended. The Parent Company is therefore still handling the management and operation of the Mall on the basis of the Cassation Court judgement and cannot assess when these proceedings will come to closure until a final ruling is made. Accordingly, revenue from the Mall has been recognised by the Parent Company in the statement of income because it is, in all cases, an exclusive right for which the Parent Company is entitled to, regardless of the outcome of the lawsuits filed by both parties.

Included in intangible assets is an amount of KD 4,411,980 (31 December 2017: KD 5,008,904 and 30 September 2017: KD 5,207,879) that represents the carrying value of Build-Own-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire 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 4,501,595 (31 December 2017: KD 5,215,408 and 30 September 2017: KD 5,481,626) that represents the carrying value of Build-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.

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:

	Other related parties	*Nine months ended 30 September*	
		2018	*2017*
	KD	*KD*	*KD*
Interim condensed consolidated statement of income:			
Revenues	**58,457**	**58,457**	13,227
Operating costs	**(272,366)**	**(272,366)**	(230,765)
General and administrative expenses	**(14,623)**	**(14,623)**	(23,966)
Other income	**-**	**-**	32,116
Interest income	**2,143,224**	**2,143,224**	1,491,830

	Ultimate Parent Company	*Other related parties*	*30 September 2018*	*(Audited) 31 December 2017*	*30 September 2017*
	KD	*KD*	*KD*	*KD*	*KD*
Interim condensed consolidated statement of financial position:					
Amounts due from a related party (included in accounts receivable and other assets)	**-**	**-**	**-**	43,878	39,001
Amounts due to related parties (included in accounts payable and other liabilities)	**(179,929)**	**(205,471)**	**(385,400)**	(309,697)	366,607
Loan to a related party	**-**	**43,143,712**	**43,143,712**	30,022,447	27,296,747
Financial assets available for sale	**-**	**-**	**-**	1,449,198	1,449,198
Financial assets at fair value through other comprehensive income	**-**	**1,322,904**	**1,322,904**	-	-

Amounts due from/to related parties are interest free and are receivable/payable on demand except for certain loan advanced to a related party.

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 compounded annual interest rates as per the loan agreement 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 (31 December 2017: KD 1,449,198 and 30 September 2017: KD 1,449,198) in the equity of the Project, the fair value as at 30 September 2018 amounted to KD 1,322,904. The Group's capital commitment in respect of uncalled capital in the project amounts to KD 5,118,425 as at the reporting date (31 December 2017: KD 5,097,830 and 30 September 2017: KD 5,096,337). After adopting IFRS 9 on January 2018, both the loan to related party and equity contribution have been reclassified as FVPL and FVOCI, respectively (Note 2.2).

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

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
Short-term benefits	**53,639**	39,115	**154,102**	117,348
Employees' end of service benefits	**4,032**	38,064	**13,442**	47,075
	57,671	77,179	**167,544**	164,423

6 TREASURY SHARES

	30 September 2018	*(Audited) 31 December 2017*	*30 September 2017*
Number of treasury shares (shares)	**4,824,307**	4,824,307	4,824,307
Percentage of issued shares (%)	**4%**	5%	5%
Market value (KD)	**3,135,800**	2,822,220	3,227,461
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

	30 September 2018 KD	*(Audited) 31 December 2017 KD*	*30 September 2017 KD*
Gross amount	**4,400,000**	-	-

During the year ended 31 December 2017, the Parent Company signed a syndicated loan agreement consist 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. As at 30 September 2018, an amount of KD 5,900,000 has been withdrawn and KD 1,500,000 of which is repaid. This loan facility bears an average finance cost of 6% (31 December 2017: 0% and 30 September 2017: 0%) per annum and is repayable on 31 July 2019.

8 SHARE CAPITAL AND DIVIDENDS DISTRIBUTION

The authorised share capital of the Parent Company is KD 38,250,000 comprises of 382,500,000 shares of 100 fils each. The increase in the authorised share capital was approved by the Extraordinary General Assembly meeting of the shareholders held on 29 September 2016. Issued and paid up share capital of the Parent Company as at 30 September 2018 is KD 13,175,000 comprises of 131,750,000 shares (31 December 2017: 100,000,000 shares and 30 September 2017: 100,000,000 shares) of 100 fils each.

During the period, the Parent Company made a rights issue to its shareholders at KD 0.630 per share made up of KD 0.100 share capital and KD 0.530 share premium. A total of 31,750,000 shares were issued resulting in an increase in share capital by KD 3,175,000 and an increase in the share premium account by KD 16,827,500.

At the Annual General Assembly of the shareholders of the Parent Company held on 24 April 2018, the shareholders approved the distribution of cash dividends of 121 fils per share (2017: KD Nil) amounting to KD 15,358,009 for the year ended 31 December 2017 (2016: Nil) for shareholders registered on the appropriate regulatory approval date on 15 May 2018 which has been paid on 23 May 2018.

At the Board of Directors meeting held on 12 September 2018, the directors recommended an increase in issued share capital by a rights issue to its shareholders at 550 fils per share made up of 100 fils share capital and 400 fils share premium. The proposed issuance, if approved by regularity authorities, will result in issuing 164,500,000 shares and an increase of share capital by KD 16,45,0000.

9 OPERATING SEGMENT INFORMATION

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

	Investments		*Services operations*		*Total*	
	Nine months ended 30 September		*Nine months ended 30 September*		*Nine months ended 30 September*	
	2018	*2017*	**2018**	*2017*	**2018**	*2017*
	KD	*KD*	**KD**	*KD*	**KD**	*KD*
Interim condensed consolidated statement of comprehensive income:						
Segment revenue	**2,551,741**	1,567,878	**10,650,301**	10,581,552	**13,202,042**	12,149,430
Segment profit	**1,993,509**	1,230,037	**5,941,932**	5,969,912	**7,935,441**	7,199,949
Unallocated expenses					**(359,456)**	(310,563)
Profit for the period					**7,575,985**	6,889,386
Depreciation and amortization	-	-	**(1,464,632)**	(1,455,626)	**(1,464,632)**	(1,455,626)

	Investments			*Services operations*			*Total*		
		(Audited)			*(Audited)*			*(Audited)*	
	30 September 2018	*31 December 2017*	*30 September 2017*	**30 September 2018**	*31 December 2017*	*30 September 2017*	**30 September 2018**	*31 December 2017*	*30 September 2017*
	KD	*KD*	*KD*	**KD**	*KD*	*KD*	**KD**	*KD*	*KD*
Interim condensed consolidated statement of financial position:									
Assets	**55,803,933**	37,468,051	35,192,709	**13,708,779**	15,689,756	16,356,055	**69,512,712**	53,157,807	51,548,764
Liabilities	-	-	-	**17,215,364**	12,193,138	12,668,796	**17,215,364**	12,193,138	12,668,796
Capital expenditure	-	-	-	**94,416**	24,065	22,153	**94,416**	24,065	22,153

Capital expenditure represents addition to intangible assets.

10 TAXATION

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
National labour support tax ("NLST")	**60,386**	58,405	**186,025**	167,248
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	**35,200**	25,146	**87,303**	71,399
Zakat	**34,353**	25,662	**86,128**	71,916
	129,939	109,213	**359,456**	310,563

11 CONTINGENCIES

As at 30 September 2018, the Group had contingent liabilities, amounting to KD 36,908,854 (31 December 2017: KD 307,290 and 30 September 2017: KD 2,455,772), in respect of bank guarantees arising in the ordinary 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 financial assets through other comprehensive income, accounts receivables and other assets, cash and cash equivalents and loan to a related party. 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 a related party and financial asset at fair value through other comprehensive income are classified as Level 3 upon the implementation of IFRS 9 (Note 2.2).

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

	(Restated) As at 1 January 2018 (Note 2.2) KD	*Profit recorded in the consolidated statement of income KD*	*Net purchases, sales, transfers and settlements KD*	*Income recognised in other comprehensive income KD*	*As at 30 September 2018 KD*
Financial assets at fair value through profit or loss:					
Loan to a related party	30,066,228	184,349	12,893,135	-	**43,143,712**
Financial assets at fair value through other comprehensive income					
Equities	1,317,581	-	-	5,323	**1,322,904**

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of income/comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments were altered by 5%.