

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

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

30 JUNE 2019

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 2019, and the related interim condensed consolidated statement of income and comprehensive income for the three months and six months periods, and the related interim condensed consolidated statement of 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 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.

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 six months period ended 30 June 2019 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

25 July 2019
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 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 KD	2018 KD	2019 KD	2018 KD
Revenues		3,386,692	3,467,827	6,677,503	7,095,166
Operating costs		(298,753)	(276,685)	(596,304)	(566,845)
GROSS PROFIT		3,087,939	3,191,142	6,081,199	6,528,321
General and administrative expenses		(678,019)	(533,667)	(1,263,026)	(1,063,708)
Salaries and employee benefits		(340,703)	(273,917)	(661,130)	(548,530)
Share of results of associates		(30,570)	-	(66,816)	-
Revaluation (loss) gain on loan to an associate		(135,725)	374,808	(85,313)	170,626
Other income (loss)		7,777	79,939	(26,710)	119,930
Profit before interest, taxation, depreciation and amortisation ("EBITDA")		1,910,699	2,838,305	3,978,204	5,206,639
Depreciation		(18,413)	(19,523)	(36,985)	(38,953)
Amortisation		(720,864)	(467,598)	(1,359,857)	(934,969)
Profit before interest and taxation ("EBIT")		1,171,422	2,351,184	2,581,362	4,232,717
Interest income		1,421,242	803,798	2,601,552	1,422,808
Finance cost		(298,775)	(190,990)	(747,134)	(318,777)
Profit before taxation		2,293,889	2,963,992	4,435,780	5,336,748
Taxation	10	(110,136)	(116,051)	(207,395)	(229,518)
PROFIT FOR THE PERIOD		2,183,753	2,847,941	4,228,385	5,107,230
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	14.39 Fils	24.49 Fils	27.74 Fils	43.78 Fils
Attributable to:					
Equity holders of the Parent Company		2,195,910	2,833,317	4,233,739	5,064,586
Non-controlling interests		(12,157)	14,624	(5,354)	42,644
		2,183,753	2,847,941	4,228,385	5,107,230

The attached notes 1 to 12 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 2019

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Profit for the period	2,183,753	2,847,941	4,228,385	5,107,230
Other comprehensive income:				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation adjustment	(18,267)	13,996	(13,089)	5,048
Share of other comprehensive loss of associate	(253,151)	-	(370,923)	-
Other comprehensive income for the period	(271,418)	13,996	(384,012)	5,048
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,912,335	2,861,937	3,844,373	5,112,278
Attributable to:				
Equity holders of the Parent Company	1,924,492	2,847,313	3,849,727	5,069,634
Non-controlling interests	(12,157)	14,624	(5,354)	42,644
	1,912,335	2,861,937	3,844,373	5,112,278


The attached notes 1 to 12 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 2019

		30 June 2019 KD	(Audited) 31 December 2018 KD	30 June 2018 KD
ASSETS				
Non-current assets				
Property and equipment		177,422	216,407	248,656
Intangible assets	4	12,070,497	8,513,402	9,373,618
Investment in an associate	5	6,088,517	6,539,345	-
Financial assets at fair value through other comprehensive income	5	-	-	1,322,629
Loan to an associate	5, 12	65,648,382	42,054,013	37,438,812
		<u>83,984,818</u>	<u>57,323,167</u>	<u>48,383,715</u>
Current assets				
Accounts receivable and other assets		3,729,053	3,635,790	3,742,868
Cash and cash equivalents		5,540,190	10,211,760	15,823,831
		<u>9,269,243</u>	<u>13,847,550</u>	<u>19,566,699</u>
TOTAL ASSETS		<u>93,254,061</u>	<u>71,170,717</u>	<u>67,950,414</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	8	16,450,000	13,175,000	13,175,000
Share premium	8	42,065,000	27,327,500	27,327,500
Statutory reserve		6,021,868	6,021,868	5,000,000
Treasury shares	6	(1,544,594)	(1,544,594)	(1,544,594)
Other reserve		(668,510)	(297,587)	(260,978)
Foreign currency translation reserve		(7,881)	5,208	-
Cumulative change in fair value		-	-	(126,569)
Retained earnings		8,525,354	7,644,805	4,091,545
Equity attributable to holders of the Parent Company		<u>70,841,237</u>	<u>52,332,200</u>	<u>47,661,904</u>
Non-controlling interests		2,123,941	2,129,295	2,166,414
Total equity		<u>72,965,178</u>	<u>54,461,495</u>	<u>49,828,318</u>
Liabilities				
Non-current liabilities				
Loans and borrowings	7	-	-	5,900,000
Accounts payable and other liabilities		6,564,848	3,532,872	4,484,710
Employees' end of service benefits		499,407	459,844	434,613
		<u>7,064,255</u>	<u>3,992,716</u>	<u>10,819,323</u>
Current liabilities				
Loans and borrowings	7	3,500,000	4,400,000	-
Accounts payable and other liabilities		9,724,628	8,316,506	7,302,773
		<u>13,224,628</u>	<u>12,716,506</u>	<u>7,302,773</u>
Total liabilities		<u>20,288,883</u>	<u>16,709,222</u>	<u>18,122,096</u>
TOTAL EQUITY AND LIABILITIES		<u>93,254,061</u>	<u>71,170,717</u>	<u>67,950,414</u>

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.

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 2019

	Notes	Six months ended	
		30 June	
		2019	2018
		KD	KD
OPERATING ACTIVITIES			
Profit for the period before taxation		4,435,780	5,336,748
Adjustments for:			
Depreciation and amortisation		1,396,842	973,922
Provision for employees' end of service benefits		45,259	40,823
Interest income		(2,601,552)	(1,422,808)
Share of results of an associate		66,816	-
Revaluation (gain) loss on loan to an associate		85,313	(170,626)
Provision for expected credit loss		410,913	107,216
Finance cost		747,134	318,777
		<u>4,586,505</u>	<u>5,184,052</u>
Working capital changes:			
Accounts receivable and other assets		(484,484)	(1,156,184)
Accounts payable and other liabilities		(1,047,332)	(177,069)
		<u>3,054,689</u>	<u>3,850,799</u>
Cash flows from operations		3,054,689	3,850,799
Employees' end of service benefits paid		(5,696)	(6,200)
		<u>3,048,993</u>	<u>3,844,599</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(7,055)	(4,029)
Additions to intangible assets		(313,570)	(84,275)
Additions to loan to an associate		(21,242,067)	(5,925,756)
Interest income received		144,245	146,606
		<u>(21,418,447)</u>	<u>(5,867,454)</u>
FINANCING ACTIVITIES			
Issue of share capital	8	18,012,500	20,002,500
Proceeds from loans and borrowings	7	2,500,000	5,900,000
Repayment of loan and borrowings	7	(3,400,000)	-
Dividends paid		(3,353,190)	(15,358,009)
Finance cost paid		(61,426)	(376,891)
		<u>13,697,884</u>	<u>10,167,600</u>
Net cash flows from financing activities		13,697,884	10,167,600
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(4,671,570)</u>	<u>8,144,745</u>
Cash and cash equivalents as at 1 January		<u>10,211,760</u>	<u>7,679,086</u>
CASH AND CASH EQUIVALENTS AS AT 30 June 2019		<u><u>5,540,190</u></u>	<u><u>15,823,831</u></u>
*Non-Cash transactions:			
Impact of IFRS 9 - accounts receivable and other assets		<u>-</u>	<u>805,284</u>

The attached notes 1 to 12 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 2019

Atributable 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	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the period ended 30 June 2019

	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	-	-	-	-	-	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	-	-	-	-	-	-	-	5,064,586	5,064,586	42,644	5,107,230
Other comprehensive income for the period	-	-	-	-	-	-	5,048	-	5,048	-	5,048
Total comprehensive income for the period	-	-	-	-	-	-	5,048	5,064,586	5,069,634	42,644	5,112,278
Dividends paid (Note 8)	-	-	-	-	-	-	-	(15,358,009)	(15,358,009)	-	(15,358,009)
Share capital increase (Note 8)	3,175,000	16,827,500	-	-	-	-	-	-	20,002,500	-	20,002,500
As at 30 June 2018	13,175,000	27,327,500	5,000,000	(1,544,594)	(260,978)	-	(126,569)	4,091,545	47,661,904	2,166,414	49,828,318

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 2019

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 2019 were authorised for issue by the Board of Directors on 25 July 2019.

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.

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 2018. 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 2019.

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

Certain prior period amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity as at 30 June 2018 and profit for the period then ended. Such reclassification have been made to improve the quality of information presented.

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 2018, except for the changes described below arising from the adoption of IFRS 16 ‘Leases’ effective from 1 January 2019.

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 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 'Leases'

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Hence, 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.

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:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period attributable to equity holders of the Parent Company	2,195,910	2,833,317	4,233,739	5,064,586
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of paid up shares	157,437,280	120,505,182	157,437,280	120,505,182
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	152,612,973	115,680,875	152,612,973	115,680,875
Basic and diluted earnings per share	14.39 Fils	24.49 Fils	27.74 Fils	43.78 Fils

Earnings per share for 2018 has been adjusted to reflect the rights issue during the period (Note 8).

4 INTANGIBLE ASSETS

Included in intangible assets is a fully amortised intangible asset (31 December 2018: KD Nil and 30 June 2018: 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.

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 2019

4 INTANGIBLE ASSETS (continued)

Included in intangible assets is an amount of KD 3,840,816 (31 December 2018: KD 4,230,853 and 30 June 2018: KD 4,610,954) 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. 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 3,742,749 (31 December 2018: KD 4,282,549 and 30 June 2018: KD 4,762,664) 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. The management is confident that the carrying amount of the intangible asset is fully recoverable and no impairment is considered necessary.

Included in intangible assets is an amount of KD 4,486,932 (31 December 2018: KD Nil and 30 June 2018: KD Nil) that represents the carrying value of Build-Own-Transfer (BOT) project for developing, operating and maintaining the parking and related facilities at the new Kuwait Airways dedicated Terminal 4 (T4) for a period of five years. The Group's operations at T4 have commenced from February 2019.

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</i>	<i>Other related parties</i>	<i>Six months ended 30 June</i>		
			<i>2019</i>	<i>2018</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	
<i>Interim condensed consolidated statement of income:</i>					
Revenues	-	111,311	111,311	11,424	
Operating costs	-	(133,868)	(133,868)	(209,494)	
General and administrative expenses	-	(9,363)	(9,363)	(9,761)	
Finance cost	(261,049)	-	(261,049)	-	
Interest income	-	2,437,615	2,437,615	1,276,202	
	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>(Audited) 30 June 2019</i>	<i>31 December 2018</i>	<i>30 June 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>					
Amounts due to related parties (included in accounts payable and other liabilities)	(597,705)	(19,738)	(617,443)	(390,930)	(335,919)
Investment in an associate	-	6,088,517	6,088,517	6,539,345	-
Loan to an associate*	-	65,648,382	65,648,382	42,054,013	37,438,812
Financial assets at fair value through other comprehensive income	-	-	-	-	1,322,629

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

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 2019

5 RELATED PARTY TRANSACTIONS (continued)

*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 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 6,088,517 (31 December 2018: KD 6,539,345 and 30 June 2018: KD1,322,629) 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>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Short-term benefits	111,049	100,465
Employees' end of service benefits	16,045	9,409
	<u>127,094</u>	<u>109,874</u>

6 TREASURY SHARES

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
Number of treasury shares (shares)	4,824,307	4,824,307	4,824,307
Percentage of issued shares (%)	3%	4%	4%
Market value (KD)	2,002,087	3,063,435	2,798,098
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>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Gross amount	3,500,000	4,400,000	5,900,000

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. As at reporting date, an amount of KD 8,400,000 has been withdrawn and KD 4,900,000 is repaid. This loan facility bears an average finance cost of 6% (31 December 2018: 6% and 30 June 2018: 6%) per annum and is repayable on 31 December 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. Issued and paid up share capital of the Parent Company as at 30 June 2019 is KD 16,450,000 comprises of 164,500,000 shares (31 December 2018: 131,750,000 shares and 30 June 2018: 131,750,000 shares) of 100 fils each.

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 2019

8 SHARE CAPITAL AND DIVIDENDS DISTRIBUTION (continued)

During the period, the Parent Company made a rights issue to its shareholders at KD 0.550 per share (31 December 2018 and 30 June 2018: KD 0.630 per share) made up of KD 0.100 share capital (31 December 2018 and 30 June 2018: KD 0.100 share capital) and KD 0.450 share premium (31 December 2018 and 30 June 2018: KD 0.530 share premium). A total of 32,750,000 shares (31 December 2018 and 30 June 2018: 31,750,000 share) were issued resulting in an increase in share capital by KD 3,275,000 (31 December 2018 and 30 June 2018: KD 3,175,000) and an increase in the share premium account by KD 14,737,500 (31 December 2018 and 30 June 2018: KD 16,827,500).

At the Annual General Assembly of the shareholders of the Parent Company held on 9 April 2019, the shareholders approved the distribution of cash dividends of 21 fils per share (2018: 121 fils) amounting to KD 3,353,190 for the year ended 31 December 2018 (2017: KD 15,358,009) for shareholders registered on the appropriate regulatory approval date on 24 April 2019 which has been paid on 2 May 2019.

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 2019

9 OPERATING SEGMENT INFORMATION (continued)

	Investments		Services operations		Total	
	Six months ended 30 June	2018 KD	Six months ended 30 June	2018 KD	Six months ended 30 June	2018 KD
<i>Interim condensed consolidated statement of income:</i>						
Segment revenue	2,601,552	1,422,808	6,650,793	7,385,722	9,252,345	8,808,530
Segment profit	1,967,001	1,104,031	2,468,779	4,232,717	4,435,780	5,336,748
Unallocated expenses					(207,395)	(229,518)
Profit for the period					4,228,385	5,107,230
Depreciation and amortization		-	1,396,842	973,922	1,396,842	973,922

	Investments		Services operations		Total	
	(Audited) 30 June 2019 KD	(Audited) 30 June 2018 KD	(Audited) 31 December 2018 KD	(Audited) 30 June 2018 KD	(Audited) 31 December 2018 KD	(Audited) 30 June 2018 KD
<i>Interim condensed consolidated statement of financial position:</i>						
Assets	75,212,866	56,151,929	18,041,195	14,089,415	93,254,061	67,950,414
Liabilities	-	-	20,288,883	18,122,096	20,288,883	18,122,096
Capital expenditure	-	-	313,570	84,275	313,570	84,275

Capital expenditure represents addition to intangible assets.

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 2019

10 TAXATION

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
National labour support tax ("NLST")	60,999	62,850	113,918	125,639
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	24,400	26,764	46,570	52,103
Zakat	24,737	26,437	46,907	51,776
	<u>110,136</u>	<u>116,051</u>	<u>207,395</u>	<u>229,518</u>

11 CONTINGENCIES

As at 30 June 2019, the Group had contingent liabilities, amounting to KD 37,382,294 (31 December 2018: KD 37,344,054 and 30 June 2018: KD 36,931,291), 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 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>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2019</i>	<i>31 December</i>	<i>30 June</i>
	<i>KD</i>	<i>2018</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>
<i>Loan to an associate</i>			
At the beginning of the period	42,054,013	30,022,447	30,022,447
IFRS 9 transition adjustment	-	43,781	43,781
Net purchases, sales, transfers and settlements	23,679,682	11,718,464	7,201,958
Total (loss) gain recognised in consolidated statement of income	(85,313)	269,321	170,626
At the end of the period	<u>65,648,382</u>	<u>42,054,013</u>	<u>37,438,812</u>