

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

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

30 JUNE 2021





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 2021, and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statement of cash flows and interim condensed consolidated statement of 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 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

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

11 August 2021
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 2021

| | Notes | Three months ended | | Six months ended | |
|---|-------|--------------------|-------------|--------------------|--------------|
| | | 30 June | | 30 June | |
| | | 2021 | 2020 | 2021 | 2020 |
| | | KD | KD | KD | KD |
| Revenues | | 1,786,598 | 522,422 | 3,440,789 | 3,219,599 |
| Operating costs | | (274,826) | (292,999) | (522,720) | (567,984) |
| GROSS PROFIT | | 1,511,772 | 229,423 | 2,918,069 | 2,651,615 |
| General and administrative expenses | | (381,018) | (357,194) | (637,424) | (893,482) |
| Salaries and employee benefits | | (279,819) | (288,357) | (591,505) | (617,300) |
| Share of results of associates | | (39,982) | (21,514) | (65,155) | (991,440) |
| Other income | 4 | 1,053,921 | - | 1,065,575 | 1,590 |
| Profit (Loss) before interest, taxation, depreciation and amortisation (“EBITDA”) | | 1,864,874 | (437,642) | 2,689,560 | 150,983 |
| Depreciation | | (7,040) | (90,995) | (14,053) | (105,175) |
| Amortisation | | (503,492) | (1,670,940) | (1,029,705) | (3,342,670) |
| Profit (Loss) before interest and taxation (“EBIT”) | | 1,354,342 | (2,199,577) | 1,645,802 | (3,296,862) |
| Interest income | | 2,861 | 870 | 5,412 | 4,442 |
| Finance cost | | (506,275) | (539,333) | (1,017,556) | (1,109,516) |
| Profit (Loss) before taxation | | 850,928 | (2,738,040) | 633,658 | (4,401,936) |
| Taxation | 10 | (3,897) | - | (3,897) | - |
| PROFIT (LOSS) FOR THE PERIOD | | 847,031 | (2,738,040) | 629,761 | (4,401,936) |
| BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | 3 | 3.46 Fils | (9.52) fils | 2.62 Fils | (14.92) fils |
| Attributable to: | | | | | |
| Equity holders of the Parent Company | | 851,146 | (2,283,180) | 644,659 | (3,577,461) |
| Non-controlling interests | | (4,115) | (454,860) | (14,898) | (824,475) |
| | | 847,031 | (2,738,040) | 629,761 | (4,401,936) |

The attached notes 1 to 14 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 2021

| | <i>Three months ended</i> | | <i>Six months ended</i> | |
|--|---------------------------|-------------|-------------------------|-------------|
| | <i>30 June</i> | | <i>30 June</i> | |
| | 2021 | 2020 | 2021 | 2020 |
| | KD | KD | KD | KD |
| Profit (Loss) for the period | 847,031 | (2,738,040) | 629,761 | (4,401,936) |
| Other comprehensive loss: | | | | |
| <i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Foreign currency translation adjustment | (21,251) | (110,199) | (77,856) | 93,314 |
| Share of other comprehensive income (loss) of associate | 27,357 | 90,268 | 196,791 | (532,769) |
| Other comprehensive income (loss) for the period | 6,106 | (19,931) | 118,935 | (439,455) |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | 853,137 | (2,757,971) | 748,696 | (4,841,391) |
| Attributable to: | | | | |
| Equity holders of the Parent Company | 857,252 | (2,303,111) | 763,594 | (4,016,916) |
| Non-controlling interests | (4,115) | (454,860) | (14,898) | (824,475) |
| | 853,137 | (2,757,971) | 748,696 | (4,841,391) |

The attached notes 1 to 14 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 2021

| | | 30 June 2021 KD | (Audited) 31 December 2020 KD | 30 June 2020 KD |
|---|-------|---------------------------|--|---------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property and equipment | | 43,788 | 56,380 | 69,331 |
| Intangible assets | 5 | 4,134,455 | 5,160,581 | 6,160,009 |
| Investment in an associate | 6 | 4,671,241 | 4,617,461 | 4,576,769 |
| Loan to an associate | 6, 13 | 163,432,357 | 136,233,725 | 113,026,754 |
| | | <u>172,281,841</u> | <u>146,068,147</u> | <u>123,832,863</u> |
| Current assets | | | | |
| Accounts receivable and other assets | | 2,460,451 | 3,257,041 | 3,479,278 |
| Cash and cash equivalents | | 3,521,987 | 1,813,086 | 791,650 |
| | | <u>5,982,438</u> | <u>5,070,127</u> | <u>4,270,928</u> |
| TOTAL ASSETS | | <u><u>178,264,279</u></u> | <u><u>151,138,274</u></u> | <u><u>128,103,791</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 9 | 38,250,000 | 38,250,000 | 16,450,000 |
| Share premium | 9 | 48,605,000 | 48,605,000 | 42,065,000 |
| Statutory reserve | | 7,000,058 | 7,000,058 | 7,000,058 |
| Treasury shares | 7 | (1,544,594) | (1,544,594) | (1,544,594) |
| Other reserve | | (864,082) | (1,060,873) | (1,194,515) |
| Foreign currency translation reserve | | (50,555) | 27,301 | 83,773 |
| Retained earnings | | 10,019,106 | 9,374,447 | 9,066,924 |
| Equity attributable to holders of the Parent Company | | <u>101,414,933</u> | 100,651,339 | 71,926,646 |
| Non-controlling interests | | 910,452 | 925,350 | 921,671 |
| Total equity | | <u>102,325,385</u> | 101,576,689 | 72,848,317 |
| Non-current liabilities | | | | |
| Loans and borrowings | 8 | 34,275,382 | 35,115,382 | 36,395,382 |
| Accounts payable and other liabilities | | 6,366,412 | 6,630,890 | 7,577,080 |
| Employees' end of service benefits | | 609,801 | 597,095 | 576,197 |
| | | <u>41,251,595</u> | <u>42,343,367</u> | <u>44,548,659</u> |
| Current liabilities | | | | |
| Accounts payable and other liabilities | | 34,687,299 | 7,218,218 | 10,706,815 |
| Total liabilities | | <u>75,938,894</u> | 49,561,585 | 55,255,474 |
| TOTAL EQUITY AND LIABILITIES | | <u><u>178,264,279</u></u> | <u><u>151,138,274</u></u> | <u><u>128,103,791</u></u> |

Tarek Ibrahim Mohammad Al Mousa
Chairman


Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

The attached notes 1 to 14 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 2021

| | Note | Six months ended | |
|---|------|---------------------|--------------|
| | | 30 June | |
| | | 2021 | 2020 |
| | | KD | KD |
| OPERATING ACTIVITIES | | | |
| Profit (Loss) for the period | | 629,761 | (4,401,936) |
| Adjustments for: | | | |
| Depreciation | | 14,053 | 105,175 |
| Amortisation | | 1,029,705 | 3,342,670 |
| Provision for employees' end of service benefits | | 43,532 | 40,421 |
| Interest income | | (5,412) | (4,442) |
| Share of results of an associate | | 65,155 | 991,440 |
| Provision for expected credit loss | | 111,270 | 224,030 |
| Finance cost | | 1,017,556 | 1,109,516 |
| | | 2,905,620 | 1,406,874 |
| Working capital changes: | | | |
| Accounts receivable and other assets | | 686,632 | (76,764) |
| Accounts payable and other liabilities | | (376,931) | 2,445,513 |
| Cash flows from operations | | 3,215,321 | 3,775,623 |
| Employees' end of service benefits paid | | (30,826) | (401) |
| Net cash flows from operating activities | | 3,184,495 | 3,775,222 |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (1,461) | (444) |
| Additions to intangible assets | | (3,579) | (8,209) |
| Additions to loan to an associate | | (27,198,632) | (14,294,609) |
| Interest income received | | 4,100 | 5,190 |
| Net cash flows used in investing activities | | (27,199,572) | (14,298,072) |
| FINANCING ACTIVITIES | | | |
| Amount due to a related party | | 27,340,393 | - |
| Proceeds from loans and borrowings | | - | 10,843,308 |
| Repayment of loan and borrowings | | (840,000) | (200,000) |
| Finance cost paid | | (776,415) | (840,222) |
| Net cash flows from financing activities | | 25,723,978 | 9,803,086 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 1,708,901 | (719,764) |
| Cash and cash equivalents as at 1 January | | 1,813,086 | 1,511,414 |
| CASH AND CASH EQUIVALENTS AS AT 30 June | | 3,521,987 | 791,650 |

The attached notes 1 to 14 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 2021

| | <i>Attributable to equity holders of the Parent Company</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> | <i>Total KD</i> |
| As at 1 January 2021 | 38,250,000 | 48,605,000 | 7,000,058 | (1,544,594) | (1,060,873) | 27,301 | 9,374,447 | 100,651,339 | 925,350 | 101,576,689 |
| Profit (Loss) for the period | - | - | - | - | - | - | 644,659 | 644,659 | (14,898) | 629,761 |
| Other comprehensive income (loss) for the period | - | - | - | - | 196,791 | (77,856) | - | 118,935 | - | 118,935 |
| Total comprehensive income (loss) for the Period | - | - | - | - | 196,791 | (77,856) | 644,659 | 763,594 | (14,898) | 748,696 |
| As at 30 June 2021 | 38,250,000 | 48,605,000 | 7,000,058 | (1,544,594) | (864,082) | (50,555) | 10,019,106 | 101,414,933 | 910,452 | 102,325,385 |

| | <i>Attributable to equity holders of the Parent Company</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> | <i>Total 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 |

The attached notes 1 to 14 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 2021

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 2021 were authorised for issue by the Board of Directors on 11 August 2021.

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

The Annual General Meeting of the Parent Company for approving the consolidated financial statements for the year ended 31 December 2020 was held on 11 May 2021.

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 2020. 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 2021.

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 adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.3 New standards, interpretations and amendments adopted by the Group

Several amendments apply for the first time in 2021, but do not have a material impact on the interim condensed consolidated financial information of the Group.

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 2021

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments adopted by the Group (continued)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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

3 BASIC AND DILUTED EARNINGS / LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing profit/(loss) 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>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Profit / (Loss) for the period attributable to equity holders of the Parent Company | 851,146 | (2,283,180) | 644,659 | (3,577,461) |
| | <i>Shares</i> | <i>Shares</i> | <i>Shares</i> | <i>Shares</i> |
| Weighted average number of paid up shares | 250,614,715 | 244,568,398 | 250,614,715 | 244,568,398 |
| 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 | 245,790,408 | 239,744,091 | 245,790,408 | 239,744,091 |
| Basic and diluted earnings (loss) per share | 3.46 Fils | (9.52) fils | 2.62 Fils | (14.92) fils |

Basic and diluted loss per share for the period ended 30 June 2020 has been adjusted to reflect the rights issue during 2020 (Note 8).

4 OTHER INCOME

| | <i>Six months ended</i> | |
|---|-------------------------|-------------|
| | <i>30 June</i> | |
| | <i>2021</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> |
| Reversal of Expected Credit Loss on counter fees receivable | 569,800 | - |
| Additional counter fees income received from DGCA | 484,223 | - |
| Other income | 11,552 | 1,590 |
| | 1,065,575 | 1,590 |

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 2021

4 OTHER INCOME (continued)

During the period, the Parent Company has concluded on the settlement agreement with the Directorate General of Civil Aviation of Kuwait (“DGCA”) on the payment of the outstanding counter fees whereby both parties have agreed to a final and conclusive settlement committing DGCA to pay KD 2,024,222, while UPAC has agreed to waive off the interest ruled in the court. Accordingly, UPAC has recorded KD 1,054,023 in the interim condensed consolidated of income representing a reversal of expected credit losses taken in previous periods and additional income.

5 INTANGIBLE ASSETS

Sheikh Saa’d Terminal

Included in intangible assets is an amount of KD Nil (31 December 2020: KD Nil and 30 June 2020: KD Nil) 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, the Group has received an extension for six months for handover of the terminal until 27 December 2020. On 24 January 2021 the BOT contract related to Sheikh Saa’d Terminal has received proposal for further extension until 27 June 2021. 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 1,599,969 (31 December 2020: KD 2,135,544 and 30 June 2020: KD 2,648,681) 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.

Kuwait Airways Terminal-4 Parking project

On 25 November 2018, 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 2021, intangible assets include KD 2,534,486 (31 December 2020: KD 3,025,037 and 30 June 2020: KD 3,511,328) relating to this arrangement and liability of KD 3,757,819 (31 December 2020: KD 3,671,484 and 30 June 2020: KD 3,985,907) 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%.

6 RELATED PARTY TRANSACTIONS AND BALANCES

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>Six months ended 30 June</i> | |
|--|--------------------------------|------------------------------|---------------------------------|-------------|
| | <i>Ultimate Parent Company</i> | <i>Other related parties</i> | <i>2021</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| <i>Interim condensed consolidated statement of income:</i> | | | | |
| Revenues | - | 5,758 | 5,758 | 200 |
| Operating costs | - | (130,702) | (130,702) | (145,622) |
| General and administrative expenses | - | (19,845) | (19,845) | (31,693) |
| Share of results of an associate | - | (65,155) | (65,155) | (991,440) |
| Finance cost | (86,106) | - | (86,106) | (86,205) |

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 2021

6 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

| | <i>Parent Company (Ultimate and intermediary parent) KD</i> | <i>Other related parties KD</i> | <i>30 June 2021 KD</i> | <i>(Audited) 31 December 2020 KD</i> | <i>30 June 2020 KD</i> |
|---|---|---|--------------------------------|--|--------------------------------|
| <i>Interim condensed consolidated statement of financial position:</i> | | | | | |
| Investment in an associate | - | 4,671,241 | 4,671,241 | 4,617,461 | 4,576,769 |
| Loan to an associate ¹ | - | 163,432,357 | 163,432,357 | 136,233,725 | 113,026,754 |
| Amounts due to related parties (included in accounts payable and other liabilities) | (28,621,171) | (202,162) | (28,823,333) | (1,163,969) | (4,236,369) |

Amounts due from / to related parties are interest free and are receivable / payable on demand except for certain loan advanced to an associate. Other related parties include entities under common control.

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. The Group has contributed KD 6,580,301 (31 December 2020: KD 6,580,301 and 30 June 2020: KD 6,580,301 in the equity of the Project. The Ultimate Parent Company has also invested in the equity of this Project

In response to the economic impact of Covid-19, the Parent Company has not recognised interest income for the period ended 30 June 2021 of KD 5,970,807 (31 December 2020: KD 9,698,503 and 30 June 2020: KD 4,626,989). The interest is suspended temporarily, and the Parent Company retains the right to reinstate it in the future.

Compensation of key management personnel

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

| | <i>Six months ended 30 June</i> | |
|------------------------------------|-------------------------------------|--------------------|
| | <i>2021 KD</i> | <i>2020 KD</i> |
| Short-term benefits | 232,233 | 226,767 |
| Employees' end of service benefits | 18,896 | 13,077 |
| | 251,129 | 239,844 |

7 TREASURY SHARES

| | <i>30 June 2021</i> | <i>(Audited) 31 December 2020</i> | <i>30 June 2020</i> |
|------------------------------------|-------------------------|---|-------------------------|
| Number of treasury shares (shares) | 4,824,307 | 4,824,307 | 4,824,307 |
| Percentage of issued shares (%) | 1% | 1% | 3% |
| Market value (KD) | 1,355,630 | 1,399,049 | 2,243,303 |
| 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.

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 2021

8 LOANS AND BORROWINGS

| | 30 June | <i>(Audited)</i> 31 December | 30 June |
|--------------------|-------------------|--|----------------|
| | 2021 | 2020 | 2020 |
| | KD | KD | KD |
| Borrowing facility | 34,275,382 | 35,115,382 | 36,395,382 |

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 6), and for working capital requirements of the Parent Company. This loan facility bears an average finance cost of average 4.50% (31 December 2020: average 4.75% and 30 June 2020: average 5%) per annum and is repayable on 31 December 2022.

9 SHARE CAPITAL AND SHARE PREMIUM

| | 30 June | <i>(Audited)</i> 31 December | 30 June |
|---|-------------------|--|----------------|
| | 2021 | 2020 | 2020 |
| | KD | KD | KD |
| Issued and paid up share capital of 382,500,000 shares of 100 fils each (31 December 2020: 382,500,000 shares of 100 fils each and 30 June 2020: 164,500,000 shares of 100 fils each) | 38,250,000 | 38,250,000 | 16,450,000 |

| | 30 June | <i>(Audited)</i> 31 December | 30 June |
|--|----------------------|--|----------------|
| | 2021 | 2020 | 2020 |
| | Shares | Shares | Shares |
| Authorised shares | | | |
| Ordinary shares of 100 fils each | 1,132,500,000 | 382,500,000 | 382,500,000 |
| Ordinary shares issued and fully paid | | | |
| As at 1 January | 382,500,000 | 164,500,000 | 164,500,000 |
| Issued during the period / year | - | 218,000,000 | - |
| | 382,500,000 | 382,500,000 | 164,500,000 |

During year ended 31 December 2020, the Parent Company made a rights issue to its shareholders at KD 0.130 per share made up of KD 0.100 share capital and KD 0.030 share premium. A total of 218,000,000 shares were issued resulting in an increase in share capital by KD 21,800,000 and an increase in the share premium account by KD 6,540,000.

During the period ended 30 June 2021, the Parent Company's Board of Directors in their meeting held on 28 January 2021 approved to increase the Parent Company's authorised shares by 750,000,000 shares to be 1,132,500,000 shares which was further approved by the shareholders in an Extra Ordinary General Assembly Meeting held on 11 May 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 June 2021

10 TAXATION

| | <i>Three months ended</i> | | <i>Six months ended</i> | |
|---|---------------------------|-------------|-------------------------|-------------|
| | <i>30 June</i> | | <i>30 June</i> | |
| | <i>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| National labour support tax (“NLST”) | 1,935 | - | 1,935 | - |
| Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”) | 1,187 | - | 1,187 | - |
| Zakat | 775 | - | 775 | - |
| | 3,897 | - | 3,897 | - |

11 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 2021

11 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>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> | <i>2021</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| <i>Interim condensed consolidated statement of income:</i> | | | | | | |
| Segment revenue | 5,412 | - | 4,506,365 | 3,225,631 | 4,511,777 | 3,225,631 |
| Segment (loss) profit | (990,963) | (1,988,759) | 1,624,621 | (2,413,177) | 633,658 | (4,401,936) |
| Unallocated expenses | - | - | - | - | (3,897) | - |
| Profit (Loss) for the period | - | - | - | - | 629,761 | (4,401,936) |
| Other information: | | | | | | |
| Share of results of associates | (65,155) | - | - | - | (65,155) | - |
| Depreciation and amortisation | - | - | 1,043,758 | 3,447,845 | 1,043,758 | 3,447,845 |

| | <i>Investments</i> | | | <i>Services operations</i> | | | <i>Total</i> | | |
|--|--------------------|------------------|--------------------|----------------------------|------------------|--------------------|--------------------|------------------|--------------------|
| | <i>30 June</i> | <i>(Audited)</i> | | <i>30 June</i> | <i>(Audited)</i> | | <i>30 June</i> | <i>(Audited)</i> | |
| | | <i>2021</i> | <i>31 December</i> | | <i>30 June</i> | <i>31 December</i> | | <i>30 June</i> | <i>31 December</i> |
| | <i>KD</i> | <i>2020</i> | <i>2020</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>2020</i> | <i>KD</i> |
| <i>Interim condensed consolidated statement of financial position:</i> | | | | | | | | | |
| Assets | 170,549,899 | 142,058,913 | 117,945,346 | 7,714,380 | 9,079,361 | 10,158,445 | 178,264,279 | 151,138,274 | 128,103,791 |
| Liabilities | 61,615,775 | 35,115,382 | 36,395,382 | 14,323,119 | 14,446,203 | 18,860,092 | 75,938,894 | 49,561,585 | 55,255,474 |
| Additions to intangible assets | - | - | - | 3,579 | 56,806 | 8,209 | 3,579 | 56,806 | 8,209 |
| Additions to property and equipment | - | - | - | 1,461 | 1,687 | 444 | 1,461 | 1,687 | 444 |
| Investment in an associate | 4,671,241 | 4,617,461 | 4,576,769 | - | - | 0 | 4,671,241 | 4,617,461 | 4,576,769 |

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 2021

12 COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 30 June 2021, the Group had commitments, amounting to KD Nil (31 December 2020: KD Nil and 30 June 2020: KD 23,150,000), in respect of financing construction and development of a commercial mall in UAE.

Contingencies

As at 30 June 2021, the Group had contingent liabilities, amounting to KD 853,745 (31 December 2020: KD 853,745 and 30 June 2020: KD 868,245), in respect of bank guarantees arising in normal course of business from which it is anticipated that no material liabilities will arise.

13 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.

| | 30 June | <i>(Audited)</i> | |
|--|---------------------------|--------------------|--------------------|
| | 2021 | 31 December | 30 June |
| | KD | 2020 | 2020 |
| | | KD | KD |
| At the beginning of the period / year | 136,233,725 | 98,732,145 | 98,732,145 |
| Additional contribution | 27,198,632 | 37,501,580 | 14,294,609 |
| At the end of the period / year | <u>163,432,357</u> | <u>136,233,725</u> | <u>113,026,754</u> |

14 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 22 January 2021, the General Directorate of Civil Aviation, announced that new directives have been issued to airlines operating at Kuwait International Airport to extend the decision to adjust the operating capacity for arrivals of no more than 1,000 passengers per day. On 5 February 2021 the General Directorate of Civil Aviation announced that Non-Kuwaiti passengers are prohibited from entering the State of Kuwait until further notice. This had a direct impact on the operations of the Group.

Despite the fact that current liabilities exceed current assets by KD 28,704,861 as of 30 June 2021, the Group believes this has no prolonged negative impact and pressure of its liquidity since KD 2,778,375 of the current liabilities represent rent received in advance which will be recognized as rental income over the year and KD 27,340,393 of the current liabilities represent an amount due to a related party against the construction and development of a commercial mall in UAE which will be settled during the year ending 31 December 2021 through the proceeds of the Group's planned share capital increase during the year ending 31 December 2021, as the Parent Company's Board of directors has approved the increase of Parent Company's authorized share capital in order to start the planned share capital increase (Note 9). 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, deferral of non-essential costs. The Group believes that as at 30 June 2021, liquidity position of the Group is stable and its existing balances of cash and cash equivalent, will be sufficient to satisfy its liquidity requirements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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14 IMPACT OF COVID-19 (Continued)

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

The Group assessed the impairment of intangible assets as at 30 June 2021. 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 recoverable value of the intangible assets exceeds the carrying value.

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.

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