

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

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

31 MARCH 2020





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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.

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 31 March 2020, and the related interim condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the three 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 three months period ended 31 March 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

13 August 2020
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
Revenues		2,697,177	3,290,811
Operating costs		(274,986)	(297,551)
GROSS PROFIT		2,422,191	2,993,260
General and administrative expenses		(536,286)	(585,007)
Salaries and employee benefits		(328,944)	(320,427)
Share of results of an associate		(969,926)	(36,247)
Revaluation gain on loan to an associate		-	50,412
Other income (loss)		1,590	(34,486)
Profit before interest, taxation, depreciation and amortisation (“EBITDA”)		588,625	2,067,505
Depreciation		(14,180)	(18,571)
Amortisation		(1,671,730)	(638,994)
(Loss) profit before interest and taxation (“EBIT”)		(1,097,285)	1,409,940
Interest income		3,571	1,180,310
Finance cost		(570,183)	(448,359)
Profit before taxation		(1,663,897)	2,141,891
Taxation	10	-	(97,259)
(LOSS) PROFIT FOR THE PERIOD		(1,663,897)	2,044,632
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	(8.11 Fils)	14.17 fils
Attributable to:			
Equity holders of the Parent Company		(1,294,281)	2,037,828
Non-controlling interests		(369,616)	6,804
		(1,663,897)	2,044,632

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

United Projects Company For Aviation Services K.S.C.P. and its Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
 INCOME (UNAUDITED)**
 For the period ended 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2020</u>	<u>2019</u>
	<u>KD</u>	<u>KD</u>
(Loss) Profit for the period	(1,663,897)	2,044,632
Other comprehensive loss:		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Foreign currency translation adjustment	203,513	5,178
Share of other comprehensive loss of associate	(623,037)	(117,773)
Other comprehensive loss for the period	(419,524)	(112,595)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(2,083,421)	1,932,037
Attributable to:		
Equity holders of the Parent Company	(1,713,805)	1,925,233
Non-controlling interests	(369,616)	6,804
	(2,083,421)	1,932,037

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2020

		31 March 2020 KD	(Audited) 31 December 2019 KD	31 March 2019 KD
ASSETS				
Non-current assets				
Property and equipment		160,326	174,062	192,275
Intangible assets	4	7,830,949	9,494,470	12,780,801
Investment in an associate	5	4,618,214	6,007,664	6,390,503
Loan to an associate	5, 12	109,107,700	98,732,145	50,644,453
		<u>121,717,189</u>	<u>114,408,341</u>	<u>70,008,032</u>
Current assets				
Accounts receivable and other assets		3,729,519	3,627,292	3,493,828
Cash and cash equivalents		965,722	1,511,414	20,073,748
		<u>4,695,241</u>	<u>5,138,706</u>	<u>23,567,576</u>
TOTAL ASSETS		<u><u>126,412,430</u></u>	<u><u>119,547,047</u></u>	<u><u>93,575,608</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	8	16,450,000	16,450,000	16,450,000
Share premium	8	42,065,000	42,065,000	42,065,000
Statutory reserve		7,000,058	7,000,058	6,021,868
Treasury shares	6	(1,544,594)	(1,544,594)	(1,544,594)
Other reserve		(1,284,783)	(661,746)	(415,360)
Foreign currency translation reserve		193,972	(9,541)	10,386
Retained earnings		11,350,104	12,644,385	9,682,633
Equity attributable to holders of the Parent Company		<u>74,229,757</u>	<u>75,943,562</u>	<u>72,269,933</u>
Non-controlling interests		1,376,530	1,746,146	2,136,099
Total equity		<u>75,606,287</u>	<u>77,689,708</u>	<u>74,406,032</u>
Liabilities				
Non-current liabilities				
Loans and borrowings	7	35,795,769	25,752,074	-
Accounts payable and other liabilities		7,488,288	7,683,881	7,103,019
Employees' end of service benefits		555,654	536,177	477,279
		<u>43,839,711</u>	<u>33,972,132</u>	<u>7,580,298</u>
Current liabilities				
Loans and borrowings	7	-	-	2,400,000
Accounts payable and other liabilities		6,966,432	7,885,207	9,189,278
		<u>6,966,432</u>	<u>7,885,207</u>	<u>11,589,278</u>
Total liabilities		<u>50,806,143</u>	<u>41,857,339</u>	<u>19,169,576</u>
TOTAL EQUITY AND LIABILITIES		<u><u>126,412,430</u></u>	<u><u>119,547,047</u></u>	<u><u>93,575,608</u></u>

Tarek Ibrahim Mohammad Al Mousa
Chairman


Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 31 March 2020

	Note	Three months ended	
		31 March	
		2020	2019
		KD	KD
OPERATING ACTIVITIES			
(Loss) Profit for the period before taxation		(1,663,897)	2,141,891
Adjustments for:			
Depreciation		14,180	18,571
Amortisation		1,671,730	638,994
Provision for employees' end of service benefits		19,878	23,131
Interest income		(3,571)	(1,180,310)
Share of results of an associate		969,926	36,247
Revaluation gain on loan to an associate		-	(50,412)
Provision for expected credit loss		103,173	109,176
Finance cost		570,183	448,359
		1,681,602	2,185,647
Working capital changes:			
Accounts receivable and other assets		(202,863)	73,222
Accounts payable and other liabilities		(1,249,546)	(669,313)
Cash flows from operations		229,193	1,589,556
Employees' end of service benefits paid		(401)	(5,696)
Net cash flows from operating activities		228,792	1,583,860
INVESTING ACTIVITIES			
Purchase of property and equipment		(444)	(3,494)
Additions to intangible assets		(8,209)	(303,011)
Additions to loan to an associate		(10,375,555)	(7,432,675)
Interest income received		1,034	32,521
Net cash flows used in investing activities		(10,383,174)	(7,706,659)
FINANCING ACTIVITIES			
Issue of share capital	8	-	18,012,500
Proceeds from loans and borrowings		10,043,695	-
Repayment of loan and borrowings		-	(2,000,000)
Finance cost paid		(435,005)	(27,713)
Net cash flows from financing activities		9,608,690	15,984,787
NET (DECREASE) INCREASE IN CASH AND CASH		(545,692)	9,861,988
Cash and cash equivalents as at 1 January		1,511,414	10,211,760
CASH AND CASH EQUIVALENTS AS AT 31 MARCH		965,722	20,073,748

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2020

<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) Profit for the period	-	-	-	-	-	-	(1,294,281)	(1,294,281)	(369,616)	(1,663,897)
Other comprehensive (loss) income for the period	-	-	-	-	(623,037)	203,513	-	(419,524)	-	(419,524)
Total comprehensive (loss) income for the Period	-	-	-	-	(623,037)	203,513	(1,294,281)	(1,713,805)	(369,616)	(2,083,421)
As at 31 March 2020	16,450,000	42,065,000	7,000,058	(1,544,594)	(1,284,783)	193,972	11,350,104	74,229,757	1,376,530	75,606,287

<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 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	-	-	-	-	-	-	2,037,828	2,037,828	6,804	2,044,632
Other comprehensive (loss) income for the period	-	-	-	-	(117,773)	5,178	-	(112,595)	-	(112,595)
Total comprehensive (loss) income for the period	-	-	-	-	(117,773)	5,178	2,037,828	1,925,233	6,804	1,932,037
Share capital increase (Note 8)	3,275,000	14,737,500	-	-	-	-	-	18,012,500	-	18,012,500
As at 31 March 2019	16,450,000	42,065,000	6,021,868	(1,544,594)	(415,360)	10,386	9,682,633	72,269,933	2,136,099	74,406,032

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of United Projects Company for Aviation Services K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) for the period ended 31 March 2020 were authorised for issue by the Board of Directors on 13 August 2020.

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES

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

2.3 New standards, interpretations and amendments adopted by the Group

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

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>31 March</i>	
	2020	2019
	KD	KD
(Loss) Profit for the period attributable to equity holders of the Parent Company	(1,294,281)	2,037,828
	<i>Shares</i>	<i>Shares</i>
Weighted average number of paid up shares	164,500,000	148,600,386
Less: Weighted average number of treasury shares	(4,824,307)	(4,824,307)
Weighted average number of ordinary shares outstanding during the period	159,675,693	143,776,079
Basic and diluted earnings per share	(8.11 Fils)	14.17 fils

4 INTANGIBLE ASSETS

Discovery Mall

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

Sheikh Saa'd Terminal

Included in intangible assets is an amount of KD 1,148,882 (31 December 2019: KD 2,298,629 and 31 March 2019: KD 4,031,054) that represents the carrying value of Built-Operate-Transfer (BOT) project for the construction of Sheikh Saa'd Terminal (the "terminal"). Subsequent to the reporting period, Group have received an extension for six months for handover of the terminal until 27 December 2020. The Group is currently undergoing discussions with regards to scope, fees and components to facilitate the finalisation of the above proposed extension.

Commercial complex of Kuwait International Airport

Included in intangible assets is an amount of KD 2,925,060 (31 December 2019: KD 3,193,156 and 31 March 2019: KD 4,017,525) that represents the carrying value of Build- Operate -Transfer (BOT) project for the construction of the car park and commercial complex of Kuwait International Airport. This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire on 2023.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

4 INTANGIBLE ASSETS (continued)

Kuwait Airways Terminal-4 Parking project

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

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

As at 31 March 2020, intangible assets include KD 3,757,007 (31 December 2019: KD 4,002,685 and 31 March 2019: KD 4,732,222) relating to this arrangement and liability of KD 3,931,815 which represents the minimum fixed payments that will be paid by the Group to the Grantor over the term of the concession arrangement, discounted at a rate of 6%.

5 RELATED PARTY TRANSACTIONS

These represents transactions with related parties, i.e. major shareholders, associate, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions and balances with related parties are as follows:

	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>Three months ended 31 March</i>		
			<i>2020</i>	<i>2019</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	
<i>Interim condensed consolidated statement of income:</i>					
Revenues	-	600	600	24,816	
Operating costs	-	(35,892)	(35,892)	(42,483)	
General and administrative expenses	-	(6,348)	(6,348)	(4,681)	
Share of results of an associate	-	(969,926)	(969,926)	(36,247)	
Finance cost	(43,360)	-	(43,360)	(218,400)	
Interest income	-	-	-	1,107,352	
	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>31 March 2020</i>	<i>(Audited) 31 December 2019</i>	<i>31 March 2019</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 from related parties (included in accounts receivable and other assets)	-	44,027	44,027	103,213	-
Amounts due to related parties (included in accounts payable and other liabilities)	(891,154)	-	(891,154)	(819,683)	(593,656)
Loan to an associate ¹	-	109,107,700	109,107,700	98,732,145	50,644,453

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

¹ Loan to an associate represents amounts advanced by a subsidiary of the Group towards the construction and development of a commercial mall in UAE ("Project"). This amount bears compounded annual interest rates as per the loan agreement and carries with it the option, at the sole discretion of the Parent Company, to be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets. In response to the economic impact of Covid-19, the Parent Company has not recognised interest income for the period ended 31 March 2020. The Group has contributed KD 6,580,301 (31 December 2019: KD 6,580,301 and 31 March 2019: KD 6,580,301) in the equity of the Project.

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 31 March 2020

5 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Short-term benefits	57,895	53,217
Employees' end of service benefits	6,158	8,955
	64,053	62,172

6 TREASURY SHARES

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2020</i>	<i>31 December</i>	<i>31 March</i>
		<i>2019</i>	<i>2019</i>
Number of treasury shares (shares)	4,824,307	4,824,307	4,824,307
Percentage of issued shares (%)	3%	3%	3%
Market value (KD)	2,180,587	2,470,045	2,122,695
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>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2020</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2019</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>
Borrowing facility	35,795,769	25,752,074	2,400,000

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

8 SHARE CAPITAL AND SHARE PREMIUM

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2020</i>	<i>31 December</i>	<i>31 March</i>
	<i>Shares</i>	<i>2019</i>	<i>2019</i>
		<i>Shares</i>	<i>Shares</i>
Authorised shares			
Ordinary shares of 100 fils each	382,500,000	382,500,000	382,500,000
Ordinary shares issued and fully paid			
As at 1 January	164,500,000	131,750,000	131,750,000
Issued during the period (2019: KD 100 fils per share)	-	32,750,000	32,750,000
	164,500,000	164,500,000	164,500,000

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

8 SHARE CAPITAL AND SHARE PREMIUM (continued)

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

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

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 31 March 2020

9 OPERATING SEGMENT INFORMATION (continued)

	<i>Investments</i>		<i>Services operations</i>		<i>Total</i>	
	<i>Three months ended</i>		<i>Three months ended</i>		<i>Three months ended</i>	
	<i>31 March</i>		<i>31 March</i>		<i>31 March</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of income:</i>						
Segment revenue	-	1,194,475	2,702,338	3,290,811	2,702,338	4,485,286
Segment (loss) profit	(1,482,003)	746,116	(181,894)	1,395,775	(1,663,897)	2,141,891
Unallocated expenses	-	-	-	-	-	(97,259)
(Loss) Profit for the period	-	-	-	-	(1,663,897)	2,044,632
Share of results of an associate	(969,926)	(36,247)	-	-	(969,926)	(36,247)
Depreciation and amortization	-	-	1,685,910	657,565	1,685,910	657,565

	<i>Investments</i>			<i>Services operations</i>			<i>Total</i>		
	<i>31 March</i>	<i>(Audited)</i>		<i>31 March</i>	<i>(Audited)</i>		<i>31 March</i>	<i>(Audited)</i>	
		<i>2020</i>	<i>31 December</i>		<i>31 March</i>	<i>31 December</i>		<i>31 March</i>	<i>31 December</i>
	<i>KD</i>	<i>KD</i>	<i>KD</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 financial position:</i>									
Assets	114,101,449	105,393,058	74,240,872	12,310,981	14,153,989	19,334,736	126,412,430	119,547,047	93,575,608
Liabilities	35,795,769	25,752,074	-	15,010,374	16,105,265	19,169,576	50,806,143	41,857,339	19,169,576
Additions to non-current assets:									
Concession intangible assets	-	-	-	-	4,594,327	-	-	4,594,327	-
Other intangible assets	-	-	-	8,209	369,303	303,011	8,209	369,303	303,011
Investment in an associate	4,618,214	6,007,664	6,390,503	-	-	-	4,618,214	6,007,664	6,390,503

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 31 March 2020

10 TAXATION

	<i>Three months ended</i>	
	<i>31 March</i>	
	2020	2019
	KD	KD
National labour support tax (“NLST”)	-	52,919
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)	-	22,170
Zakat	-	22,170
	<u>-</u>	<u>97,259</u>

11 COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 March 2020, the Group had commitments, amounting to KD 26,624,444 (31 December 2019: KD 37,000,000 and 31 March 2019: KD 80,038,522), in respect of financing construction and development of a commercial mall in UAE.

Contingencies

As at 31 March 2020, the Group had contingent liabilities, amounting to KD 868,245 (31 December 2019: KD 868,245 and 31 March 2019: KD 854,235), in respect of bank guarantees arising in normal course of business from which it is anticipated that no material liabilities will arise.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

Loan to an associate is classified as Level 3.

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

	31 March	<i>(Audited)</i>	
	2020	<i>31 December</i>	
	KD	2019	2019
	KD	KD	KD
<i>Loan to an associate</i>			
At the beginning of the period	98,732,145	42,054,013	42,054,013
Net purchases, sales, transfers and settlements	10,375,555	56,809,836	8,540,028
Total (loss) gain recognised in consolidated statement of income	-	(131,704)	50,412
At the end of the period	<u>109,107,700</u>	<u>98,732,145</u>	<u>50,644,453</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2020

13 IMPACT OF COVID-19

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

The currently known impact of COVID-19 on the Group are the following resulting in a loss for the period ended 31 March 2020:

- ▶ A decline in revenues for the first three months of 2020 compared to the same period in 2019 by 18% due to rent concessions provided to lessees and government measures taken to temporarily close operations.
- ▶ A suspension of interest income on the loan to an associate, which would otherwise have resulted in interest income of KD 2,360,537 for the three months period ended 31 March 2020.

Despite the fact that current liabilities exceed current assets by KD 2,271,191 as of 31 March 2020, the Group believes this has no prolonged negative impact and pressure of its liquidity since KD 2,506,609 of the current liabilities represent rent received in advance which will be recognized as rental income over the year. In response to this crisis, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group has taken measures to minimize liquidity risks, through a combination of salary and allowances cuts and deferral of non-essential costs. The Group believes that as at 31 March 2020, liquidity position of the Group is stable and its existing balances of cash and cash equivalent, along with undrawn borrowings will be sufficient to satisfy its liquidity requirements.

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

Loan to Associate and investment in associates

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

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

Impairment of intangible assets

Due to the decline in revenue on account of Covid-19 pandemic and the suspension of operations, the Group assessed the impairment of intangible assets as at 31 March 2020. The recoverable amount measured of the cash generating units have been determined based on the value in use calculated using cash flow projections approved by the management for the tenure of the BOT agreements. Based on its impairment assessment, the Group has concluded that the carrying value of the intangible assets exceed the recoverable amount.

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

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