KUWAIT HOTELS COMPANY KS.C.P.
AND ITS SUBSIDIRIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2019

EY
Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT HOTELS COMPANY K.S.C.P

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Hotels Company 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 profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended. The Parent Company's management 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 the basis of preparation set out in accordance 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-month 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
LICENSE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

7 August 2019
Kuwait

Kuwait Hotels Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the period ended 30 June 2019

		Three months ended 30 June		*Six months ended 30 June*	
		2019	*2018*	*2019*	*2018*
	Note	***KD***	*KD*	***KD***	*KD*
Revenue from contracts with customers		**1,509,947**	1,576,436	**3,012,158**	3,168,674
Management fees		**175,648**	164,556	**425,614**	391,004
Rental income		**230,046**	215,663	**459,875**	423,291
Total revenue		**1,915,641**	1,956,655	**3,897,647**	3,982,969
Cost of sales		**(1,557,681)**	(1,524,348)	**(3,151,129)**	(3,121,012)
GROSS PROFIT		**357,960**	432,307	**746,518**	861,957
Other income		**28,975**	22,742	**63,775**	42,383
Share of results of an associate		**-**	-	**(268)**	5,155
Administrative expenses		**(378,716)**	(383,271)	**(740,934)**	(724,994)
Selling and distribution expenses		**(68,241)**	(85,807)	**(95,422)**	(95,500)
(LOSS) PROFIT BEFORE TAX		**(60,022)**	(14,029)	**(26,331)**	89,001
Income taxes from foreign operations		**(866)**	(14,661)	**(954)**	(19,828)
Reversal of (provision for) National Labour Support Tax (NLST)		**842**	(286)	**(884)**	(2,483)
Reversal of (provision for) contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**245**	104	**-**	(490)
(Provision for) reversal of zakat		**(398)**	193	**(190)**	(540)
(LOSS) PROFIT FOR THE PERIOD		**(60,199)**	(28,679)	**(28,359)**	65,660
Attributable to:					
Equity holders of the Parent Company		**(60,316)**	(28,727)	**(28,442)**	65,633
Non-controlling interests		**117**	48	**83**	27
		(60,199)	(28,679)	**(28,359)**	65,660
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	**(1.07) fils**	(0.51) fils	**(0.50) fils**	1.16 fils

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2019

	Three months ended 30 June		*Six months ended 30 June*	
	2019	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*
(Loss) profit for the period	**(60,199)**	(28,679)	**(28,359)**	65,660
Other comprehensive (loss) income				
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations and an associate	**(9,614)**	18,193	**(19,344)**	(1,832)
Other comprehensive (loss) income for the period	**(9,614)**	18,193	**(19,344)**	(1,832)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**(69,813)**	(10,486)	**(47,703)**	63,828
Attributable to:				
Equity holders of the Parent Company	**(69,930)**	(10,534)	**(47,786)**	63,801
Non-controlling interests	**117**	48	**83**	27
	(69,813)	(10,486)	**(47,703)**	63,828

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Kuwait Hotels Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

	Notes	*30 June 2019 KD*	*(Audited) 31 December 2018 KD*	*(Restated)* 30 June 2018 KD*
ASSETS				
Non-current assets				
Property and equipment		**3,506,263**	3,568,320	3,774,617
Right-of-use assets		**1,369,935**	-	-
Intangible assets		**1,060,877**	1,060,877	1,138,128
Investment in an associate		**24,220**	26,154	28,790
Investment securities		**50,235**	50,235	97,434
		6,011,530	4,705,586	5,038,969
Current assets				
Inventories		**249,685**	254,954	324,858
Accounts receivable and prepayments		**2,350,278**	1,878,877	2,158,931
Investment securities		**71,400**	71,400	71,400
Cash and short-term deposits	4	**691,841**	976,642	460,048
		3,363,204	3,181,873	3,015,237
TOTAL ASSETS		**9,374,734**	7,887,459	8,054,206
EQUITY AND LIABILITIES				
Equity				
Share capital		**5,775,000**	5,775,000	5,775,000
Statutory reserve		**716,137**	716,137	716,137
Voluntary reserve		**313,431**	313,431	313,431
Treasury shares	5	**(223,952)**	(223,952)	(223,952)
Fair value reserve		**(83,822)**	(83,822)	(40,822)
Foreign currency translation reserve		**(402,801)**	(383,457)	(383,059)
Other reserve		**(513,600)**	(513,600)	(513,600)
Accumulated losses		**(630,885)**	(602,443)	(173,228)
Equity attributable to equity holders of the Parent Company		**4,949,508**	4,997,294	5,469,907
Non-controlling interests		**2,658**	2,575	(29,341)
Total equity		**4,952,166**	4,999,869	5,440,566
Non-current liabilities				
Employees' end of service benefits		**848,302**	790,738	870,845
Lease liabilities		**1,128,924**	-	-
		1,977,226	790,738	870,845
Current liabilities				
Accounts payable and accruals		**2,070,520**	2,096,852	1,742,795
Lease liabilities		**257,016**	-	-
Bank overdraft	4	**117,806**	-	-
		2,445,342	2,096,852	1,742,795
Total liabilities		**4,422,568**	2,887,590	2,613,640
TOTAL EQUITY AND LIABILITIES		**9,374,734**	7,887,459	8,054,206

* *Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 30 June 2018; and reflect adjustments made as explained in Note 10.*

Ahmad Yousef El-Kandari
Chairman

شركة الفنادق الكويتية
Kuwait Hotels Company

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2019

	Attributable to equity holders of the Parent Company										
	Share capital KD	*Statutory reserve KD*	*Voluntary Reserve KD*	*Treasury shares KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Other reserve KD*	*Accumulated losses KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	5,775,000	716,137	313,431	(223,952)	(83,822)	(383,457)	(513,600)	(602,443)	4,997,294	2,575	4,999,869
(Loss) profit for the period	-	-	-	-	-	-	-	(28,442)	(28,442)	83	(28,359)
Other comprehensive loss for the period	-	-	-	-	-	(19,344)	-	-	(19,344)	-	(19,344)
Total comprehensive (loss) income for the period	-	-	-	-	-	(19,344)	-	(28,442)	(47,786)	83	(47,703)
At 30 June 2019	**5,775,000**	**716,137**	**313,431**	**(223,952)**	**(83,822)**	**(402,801)**	**(513,600)**	**(630,885)**	**4,949,508**	**2,658**	**4,952,166**
As at 1 January 2018 (as previously reported)	5,775,000	716,137	313,431	(223,952)	(40,822)	(381,227)	(513,600)	33,834	5,678,801	(29,368)	5,649,433
Transition adjustment on adoption of IFRS 9 as at 1 January 2018	-	-	-	-	-	-	-	(272,695)	(272,695)	-	(272,695)
As at 1 January 2018 (restated)	5,775,000	716,137	313,431	(223,952)	(40,822)	(381,227)	(513,600)	(238,861)	5,406,106	(29,368)	5,376,738
Profit for the period	-	-	-	-	-	-	-	65,633	65,633	27	65,660
Other comprehensive loss for the period	-	-	-	-	-	(1,832)	-	-	(1,832)	-	(1,832)
Total comprehensive (loss) income for the period	-	-	-	-	-	(1,832)	-	65,633	63,801	27	63,828
At 30 June 2018 (restated)	5,775,000	716,137	313,431	(223,952)	(40,822)	(383,059)	(513,600)	(173,228)	5,469,907	(29,341)	5,440,566

** Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 30 June 2018; and reflect adjustments made as explained in Note 10*

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2019

	Note	*Six months ended 30 June* 2019 KD	2018 KD
OPERATING ACTIVITIES			
(Loss) profit before tax		**(26,331)**	89,001
Adjustments to reconcile (loss) profit before tax to net cash flows:			
Depreciation on property and equipment		**221,401**	186,192
Depreciation on right-to-use assets		**138,756**	-
Finance costs		**37,447**	-
Provision for employees' end of service benefits		**86,328**	86,068
Provision for slow moving items		**1,500**	-
Allowance for expected credit losses		-	11,322
Gain on disposal of items of property and equipment		**(7,684)**	-
Share of results of an associate		**268**	(5,155)
		451,685	367,428
Working capital adjustments:			
Inventories		**3,769**	35,030
Accounts receivable and prepayments		**(471,401)**	(550,337)
Accounts payable and accruals		**(28,360)**	(164,627)
Cash flows used in operations		**(44,307)**	(312,506)
Employees' end of service benefits paid		**(28,764)**	(93,275)
Net cash flows used in operating activities		**(73,071)**	(405,781)
INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(159,344)**	(120,166)
Proceeds from disposal of items of property and equipment		**7,684**	-
Net cash flows used in investing activities		**(151,660)**	(120,166)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(158,166)**	-
Finance costs		**(2,032)**	
Net cash flows used in financing activities		**(160,198)**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(384,928)**	(525,947)
Net foreign exchange differences		**(17,678)**	15,993
Cash and cash equivalents at 1 January		**976,642**	970,002
CASH AND CASH EQUIVALENTS AT 30 JUNE	4	**574,035**	460,048
Non-cash items excluded from the interim condensed consolidated statement of cash flows:			
Transitional adjustment to lease liabilities on adoption of IFRS 16		**1,508,691**	-
Transitional adjustment to property and equipment on adoption of IFRS 16		**(1,508,691)**	-
Transitional adjustment to trade and other receivables on adoption of IFRS 9		-	(272,695)

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Kuwait Hotels Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 7 August 2019.

The Parent Company was incorporated on 12 June 1962 in accordance with Companies Law of Kuwait and is listed on the Boursa Kuwait. The Group is engaged in owning, operating and managing hotel, commercial and residential properties; catering services; importing of consumer durables, machinery and equipment; and investment in similar business in or outside Kuwait. The Parent Company's registered office is P. O. Box 833, Safat 13009, Kuwait.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 28 May 2019 approved the consolidated financial statements for the year ended 31 December 2018. No dividends were declared by the Parent Company.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34").

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

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

The interim condensed consolidated financial information provides comparative information in respect of the previous period. Certain reclassifications have been made to conform the prior period's financial information and notes thereto to current period's presentation. In addition, the Group restated comparative information due to a retrospective restatement (See Note 10).

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases* that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases
IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16 Leases (continued)

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').

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	KD
Assets	
Right-of-use assets	1,508,691
Liabilities	
Lease liabilities	1,508,691

a) *Nature of the effect of adoption of IFRS 16*

Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16 Leases (continued)

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of- use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

- *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 16 Leases (continued)

c) Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets KD	*Lease liabilities KD*
At 1 January 2019	**1,508,691**	**1,508,691**
Depreciation expense	**(138,756)**	**-**
Finance costs	**-**	**35,415**
Payments	**-**	**(158,166)**
At 30 June 2019	**1,369,935**	**1,385,940**

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 5% at the reporting date.

3 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the (loss) profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the (loss) profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Three months ended 30 June		*Six months ended 30 June*	
	2019	*2018*	***2019***	*2018*
Profit for the period attributable to equity holders of the Parent Company (KD)	**(60,316)**	(28,727)	**(28,442)**	65,633
Weighted average number of shares outstanding (shares) *	**56,433,300**	56,433,300	**56,433,300**	56,433,300
Basic and diluted EPS (fils)	**(1.07) fils**	(0.51) fils	**(0.50) fils**	1.16 fils

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the period.

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

4 CASH AND CASH EQUIVALENTS

For the purpose of interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	30 June 2019 KD	*(Audited) 31 December 2018 KD*	*30 June 2018 KD*
Cash at bank and in hand	**490,392**	726,642	460,048
Short-term deposits*	**201,449**	250,000	-
Cash and short-term deposits	**691,841**	976,642	460,048
Bank overdraft	**(117,806)**	-	-
Cash and cash equivalents as per statement of cash flows	**574,035**	976,642	460,048

* Short term deposits are placed for varying periods of one month to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group is granted an unsecured bank overdraft facility up to KD 400,000 with interest thereon at a rate of 2% over the Central Bank of Kuwait discount rate.

5 TREASURY SHARES

	30 June 2019	*(Audited) 31 December 2018*	*30 June 2018*
Number of shares held	**1,316,700**	1,316,700	1,316,700
Percentage of shares held	**2.28%**	2.28%	2.28%
Cost (KD)	**223,952**	223,952	223,952
Market value (KD)	**131,670**	171,171	68,468

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

6 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholders, 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.

Investment in equity securities with a carrying value of KD 88,900 at 30 June 2019 (31 December 2018: KD 88,900 and 30 June 2018: KD 107,189) are managed by a related party.

There were no significant transactions with related parties during the period other than those related to key management personnel compensation disclosed below.

6 RELATED PARTY DISCLOSURES (continued)

Key management personnel
Key management personnel comprise of the Board of Directors and key member of the management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions relating to key management personnel were as follows:

	Three months ended 30 June		*Six months ended 30 June*	
	2019	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*
Salaries and other short-term benefits	**47,364**	43,225	**94,728**	88,572
Post-employment benefits	**4,554**	3,672	**9,108**	8,226
	51,918	46,897	**103,836**	96,798

The aggregate value of outstanding balances relating to key management personnel were as follows:

	Balance outstanding as at		
	30 June 2019	*31 December 2018*	*30 June 2018*
	KD	*KD*	*KD*
Salaries and short-term employee benefits	**39,139**	36,256	44,978
End of services benefits	**199,452**	190,330	159,490
	238,591	226,586	204,468

7 SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

- Hotel Management: Owning, operating and managing of hotels
- Catering and manpower supply services: Providing catering and manpower supply services to governmental and non-governmental institutions.
- Information technology services: Information technology administrative support

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments.

The following table presents segment revenue and results information regarding the Group's business segments:

	Hotel management		*Catering and manpower supply services*		*Information technology services*		*Total*	
	30 June 2019 KD	*30 June 2018 KD*	***30 June 2019 KD***	*30 June 2018 KD*	***30 June 2019 KD***	*30 June 2018 KD*	***30 June 2019 KD***	*30 June 2018 KD*
Revenue from contracts with customer	**-**	-	**2,931,067**	3,097,052	**81,091**	71,621	**3,012,158**	3,168,674
Management fees	**425,614**	391,004	**-**	-	**-**	-	**425,614**	391,004
Rental income	**459,875**	423,291	**-**	-	**-**	-	**459,875**	423,291
Other income	**42,608**	38,778	**21,167**	3,606	**-**	-	**63,775**	42,383
	928,097	853,073	**2,952,234**	3,100,658	**81,091**	71,621	**3,961,422**	4,025,352
Cost of sales	**(490,573)**	(445,799)	**(2,614,208)**	(2,640,923)	**(46,348)**	(34,291)	**(3,151,129)**	(3,121,012)
Share of results of an associate	**(268)**	5,155	**-**	-	**-**	-	**(268)**	5,155
Administrative expenses	**(374,963)**	(389,159)	**(344,651)**	(310,192)	**(21,320)**	(25,643)	**(740,934)**	(724,994)
Selling and distribution expenses	**-**	-	**(95,422)**	(95,500)	**-**	-	**(95,422)**	(95,500)
Segment (loss) /profit	**62,293**	23,270	**(102,047)**	54,043	**13,423**	11,687	**(26,331)**	89,001
Depreciation on property and equipment	**(104,026)**	(93,229)	**(117,352)**	(92,963)	**(23)**	-	**(221,401)**	(186,192)
Depreciation on right-of-use assets	**-**	-	**(138,756)**	-	**-**	-	**(138,756)**	-
	(104,026)	(93,229)	**(256,108)**	(92,963)	**(23)**	-	**(360,157)**	(186,192)

7 SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of the Group's business segments:

	Hotel management KD	*Catering and manpower supply services KD*	*Information technology Services KD*	*Total KD*
Assets				
30 June 2019	**4,432,627**	**4,923,777**	**18,330**	**9,374,734**
31 December 2018 (Audited)	4,521,666	3,354,413	11,380	7,887,459
30 June 2018	4,409,597	3,583,014	61,595	8,054,206
Liabilities				
30 June 2019	**1,370,722**	**2,994,069**	**57,777**	**4,422,568**
31 December 2018 (Audited)	1,451,465	1,381,193	54,932	2,887,590
30 June 2018	1,233,557	1,317,001	63,082	2,613,640

Geographically, all assets of the Group are located in the MENA region. All revenue from operations of the Group is from activities in this region.

8 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,652,323 (31 December 2018: KD 1,486,539 and 30 June 2018: KD 2,582,545). It is anticipated that no material liabilities will arise.

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Financial instruments:
Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The management assessed that the fair values of accounts receivable and prepayments, cash and short-term deposits, accounts payable and accruals and bank overdraft approximate their carrying amounts largely due to the short-term maturities of these instruments.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Fair value measurement using			
At 30 June 2019	***Quoted prices in active markets (Level 1) KD***	***Significant Observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Unquoted equity securities	-	-	**71,400**	**71,400**
	-	-	**71,400**	**71,400**
Financial assets at fair value through other comprehensive income				
Unquoted equity securities	-	-	**50,235**	**50,235**
	-	-	**50,235**	**50,235**
At 31 December 2018				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Unquoted equity securities	-	-	71,400	71,400
	-	-	71,400	71,400
Financial assets at fair value through other comprehensive income				
Unquoted equity securities	-	-	50,235	50,235
	-	-	50,235	50,235
At 30 June 2018				
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Unquoted equity securities	-	-	71,400	71,400
	-	-	71,400	71,400
Financial assets at fair value through other comprehensive income				
Unquoted equity securities	-	-	97,434	97,434
	-	-	97,434	97,434

9 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets:
The fair value of unlisted equity investment have been estimated using a market based valuation technique. The Group determines comparable public companies (peers) based on industry, size and leverage and calculates an appropriate trading multiple for the comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis as at 30 June 2019 are as shown below:

	Valuation Techniques	***Significant unobservable inputs***	***DLOM***	***Sensitivity of the input to fair value***
Unquoted equity security	Price-to-book value multiple approach	DLOM *	25%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 5,207

* Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

10 COMPARATIVE INFORMATION

During the prior interim period ended 30 June 2018, the Group did not adopt the new impairment requirements of IFRS 9 – *Financial Instruments* as of 1 January 2018 (initial application date) and 30 June 2018 relating to debt instruments not held at fair value through profit or loss, primarily trade and other receivables.

The correction of the above error has been accounted for retrospectively in accordance with International Accounting Standard 8 "*Accounting Policies, Changes in Accounting Estimates and Errors*". Accordingly, the respective comparative amounts for the interim period ended 30 June 2018 have been restated to reflect the transitional provisions of IFRS 9.

The following adjustments have been made to the comparative financial information:

Interim condensed consolidated statement of financial position	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*
As at 30 June 2018			
Current assets			
Accounts receivable and prepayments	2,431,626	(272,695)	2,158,931
Equity			
Retained earnings / (Accumulated losses)	99,467	(272,695)	(173,228)

The above retrospective application did not have a material effect on the Group's comparable previously reported statements of profit or loss for the six months ended 30 June 2018.

For details on the transition adjustment on adoption of IFRS 9, please refer to the disclosures in the Group's consolidated financial statements for the year ended 31 December 2018.

11 EVENT AFTER REPORTING DATE

On 4 July 2019, the Group has sold certain properties and equipment along with a leasehold right with a total carrying value of KD 542,469 for a total consideration of KD 750,000. The resultant gain from this transaction amounted to KD 207,531 which will be recorded in the subsequent reporting period.