

**KUWAIT HOTELS COMPANY K.S.C.P.
AND ITS SUBSIDIARIES**

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

30 September 2017



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REPORT ON REVIEW OF 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 September 2017, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim condensed consolidated 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, 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, and its Executive Regulations, as amended, or of the Parent Company’s Articles of Association and Memorandum of Incorporation, during the nine months period ended 30 September 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

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5 November 2017
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Kuwait Hotels Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 30 September 2017

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 Nine</i>	
<i>Note</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenues	1,487,079	1,601,022	5,357,615	5,889,314
Management fees	203,368	182,748	603,687	582,787
Cost of revenues	(1,411,070)	(1,546,740)	(4,844,218)	(5,350,944)
GROSS PROFIT	279,377	237,030	1,117,084	1,121,157
Other income	4,319	28,283	63,786	99,780
Interest income	615	-	4,986	-
Gain on disposal of intangible assets	-	-	-	401,284
Gain on disposal of property, plant and equipment	4,000	-	7,450	4,365
Share of results from an associate	(22,581)	-	(22,581)	(1,521)
(Provision)/reversal of provision for doubtful debts	(7,630)	39,318	(17,630)	21,440
Administrative expenses	(373,320)	(352,974)	(1,030,320)	(1,065,702)
Selling and distribution expenses	(1,819)	(3,970)	(68,086)	(48,037)
Finance costs	(1,697)	-	(2,455)	-
Reversal for slow moving and obsolete inventories	-	9,960	-	-
(LOSS)/PROFIT FOR THE PERIOD BEFORE PROVISION FOR INCOME TAXES ON OVERSEAS SUBSIDIARY, NATIONAL LABOUR SUPPORT TAX ("NLST"), CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS") AND ZAKAT	(118,736)	(42,353)	52,234	532,766
Income taxes on overseas subsidiary	(7,664)	(1,572)	(17,744)	(19,901)
NLST	5,623	2,676	-	(10,975)
KFAS	505	223	(470)	(3,936)
Zakat	1,172	(392)	-	(1,281)
(LOSS)/PROFIT FOR THE PERIOD	(119,100)	(41,418)	34,020	496,673
Attributable to:				
Equity holders of the Parent Company	(118,886)	(41,245)	33,980	495,246
Non-controlling interests	(214)	(173)	40	1,427
	(119,100)	(41,418)	34,020	496,673
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	(2.1) fils	(0.7) fils	0.6 fils	8.8 fils
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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 COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 30 September 2017

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
(Loss)/ profit for the period	(119,100)	(41,418)	34,020	496,673
Other comprehensive (loss) income				
<i>Items that are (or) may be reclassified</i> <i>subsequently to interim condensed</i> <i>consolidated statement of income in</i> <i>subsequent periods:</i>				
Exchange difference on translation of foreign operations and an associate	917	(2,219)	(57,347)	(24,522)
Other comprehensive loss for the period	917	(2,219)	(57,347)	(24,522)
Total comprehensive (loss) income for the period	(118,183)	(43,637)	(23,327)	472,151
Attributable to:				
Equity holders of the Parent Company	(117,969)	(43,464)	(23,367)	470,724
Non-controlling interests	(214)	(173)	40	1,427
	(118,183)	(43,637)	(23,327)	472,151

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 September 2017

		30 September 2017	(Audited) 31 December 2016	30 September 2016
	Notes	KD	KD	KD
ASSETS				
Non-current assets				
Property, plant and equipment		3,967,532	4,150,663	4,057,393
Intangible assets		1,138,127	1,195,128	1,309,784
Investment in an associate		41,460	67,436	76,960
Financial assets available-for-sale	6	128,303	128,303	128,303
		<u>5,275,422</u>	<u>5,541,530</u>	<u>5,572,440</u>
Current assets				
Inventories		412,106	473,045	899,999
Accounts receivable and prepayments		2,165,004	2,738,908	2,995,828
Financial assets at fair value through profit or loss		71,400	71,400	71,400
Cash and cash equivalents	4	1,026,944	1,555,694	1,070,259
		<u>3,675,454</u>	<u>4,839,047</u>	<u>5,037,486</u>
TOTAL ASSETS		<u><u>8,950,876</u></u>	<u><u>10,380,577</u></u>	<u><u>10,609,926</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital		5,775,000	5,775,000	5,775,000
Statutory reserve		715,421	715,421	704,926
Voluntary reserve		312,715	312,715	302,220
Treasury shares	5	(223,952)	(223,952)	(223,952)
Cumulative changes in fair value reserve		(40,822)	(40,822)	(40,822)
Foreign currency translation reserve		(376,378)	(319,031)	(203,332)
Other reserve		(513,600)	(513,600)	(513,600)
Retained earnings		62,290	310,500	722,746
Equity attributable to equity holders of the Parent Company		<u>5,710,674</u>	<u>6,016,231</u>	<u>6,523,186</u>
Non-controlling interests		(29,401)	(29,441)	(29,234)
Total equity		<u>5,681,273</u>	<u>5,986,790</u>	<u>6,493,952</u>
Non-current liability				
Employees' end of service benefits		907,552	957,156	1,013,105
Current liabilities				
Accounts payable and accruals		2,362,051	3,260,842	3,102,869
Bank overdrafts	4	-	175,789	-
		<u>2,362,051</u>	<u>3,436,631</u>	<u>3,102,869</u>
Total liabilities		<u>3,269,603</u>	<u>4,393,787</u>	<u>4,115,974</u>
TOTAL EQUITY AND LIABILITIES		<u><u>8,950,876</u></u>	<u><u>10,380,577</u></u>	<u><u>10,609,926</u></u>



Ahmad Yousef El-Kandari
Chairman

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 CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2017

	<i>Attributable to equity holders of the Parent Company</i>							Sub-total KD	Non- controlling interests KD	Total equity KD	
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Cumulative change in fair value reserve KD	Foreign currency translation reserve KD	Other reserve KD				Retained earnings KD
At 1 January 2017	5,775,000	715,421	312,715	(223,952)	(40,822)	(319,031)	(513,600)	310,500	6,016,231	(29,441)	5,986,790
Profit for the period	-	-	-	-	-	-	-	33,980	33,980	40	34,020
Other comprehensive loss for the period	-	-	-	-	-	(57,347)	-	-	(57,347)	-	(57,347)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(57,347)	-	33,980	(23,367)	40	(23,327)
Dividend paid (note 8)	-	-	-	-	-	-	-	(282,190)	(282,190)	-	(282,190)
At 30 September 2017	5,775,000	715,421	312,715	(223,952)	(40,822)	(376,378)	(513,600)	62,290	5,710,674	(29,401)	5,681,273
At 1 January 2016	5,775,000	704,926	302,220	(223,952)	(40,822)	(178,810)	(513,600)	227,500	6,052,462	(30,661)	6,021,801
Profit for the period	-	-	-	-	-	-	-	495,246	495,246	1,427	496,673
Other comprehensive loss for the period	-	-	-	-	-	(24,522)	-	-	(24,522)	-	(24,522)
Total comprehensive (loss) income for the period	-	-	-	-	-	(24,522)	-	495,246	470,724	1,427	472,151
At 30 September 2016	5,775,000	704,926	302,220	(223,952)	(40,822)	(203,332)	(513,600)	722,746	6,523,186	(29,234)	6,493,952

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 30 September 2017

	Note	Nine months ended 30 September	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before income taxes on overseas subsidiary, NLST, KFAS and Zakat		52,234	532,766
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation and amortisation		319,312	304,788
Provision for employees' end of service benefits		136,559	133,592
Provision /(reversal) of provision for doubtful debts		17,630	(21,440)
Interest income		(4,986)	-
Finance costs		2,455	-
Share of results of an associate		22,581	1,521
Gain on disposal of property, plant and equipment		(7,450)	(4,365)
Gain on disposal of intangible assets		-	(401,284)
		<u>538,335</u>	<u>545,578</u>
Working capital changes:			
Inventories		60,939	19,132
Accounts receivable and prepayments		511,350	(553,528)
Accounts payable and accruals		(941,593)	295,278
		<u>169,031</u>	<u>306,460</u>
Cash flows from operations		169,031	306,460
Employees' end of service benefits paid		(186,163)	(155,485)
		<u>(17,132)</u>	<u>150,975</u>
Net cash flows (used in) from operating activities			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(136,185)	(111,126)
Proceeds from disposal of property, plant and equipment		7,450	4,365
Proceeds from disposal of intangible assets		57,000	401,284
Interest income received		4,986	-
		<u>(66,749)</u>	<u>294,523</u>
Net cash flows (used in) / from investing activities			
FINANCING ACTIVITIES			
Finance cost paid		(2,455)	-
Dividend paid		(257,597)	-
		<u>(260,052)</u>	<u>-</u>
Net cash flows used in investing activities			
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(343,933)	445,498
Net foreign exchange difference		(9,028)	(24,522)
Cash and cash equivalents at 1 January		1,379,905	649,283
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	<u>1,026,944</u>	<u>1,070,259</u>

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

1 CORPORATE INFORMATION AND ACTIVITIES

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 nine months period ended 30 September 2017 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 5 November 2017.

The Parent Company was incorporated on 12 June 1962 in accordance with Companies Law of Kuwait and is listed on the Kuwait Stock Exchange. 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.

On 13 June 2017, the shareholders at the Ordinary Annual General Meeting of the Parent Company approved the consolidated financial statements for the year ended 31 December 2016.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

- a) 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").
- b) The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.
- c) The interim condensed consolidated financial information do not include all the information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.
- d) The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2016. There were no amendments to International Financial Reporting Standards (IFRSs) that had any material impact on the accounting policies, financial position or performance of the Group. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares as follows:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
(Loss) profit for the period attributable to equity holders of the Parent Company (KD)	<u>(118,886)</u>	<u>(41,245)</u>	<u>33,980</u>	<u>495,246</u>
Number of shares outstanding:				
Weighted average number of paid up shares	57,750,000	57,750,000	57,750,000	57,750,000
Weighted average number of treasury shares	<u>(1,316,700)</u>	<u>(1,316,700)</u>	<u>(1,316,700)</u>	<u>(1,316,700)</u>
Weighted average number of shares	<u>56,433,300</u>	<u>56,433,300</u>	<u>56,433,300</u>	<u>56,433,300</u>
Basic and diluted (loss) earnings per share attributable to equity holders of the Parent Company	<u>(2.1) fils</u>	<u>(0.7) fils</u>	<u>0.6 fils</u>	<u>8.8 fils</u>

As there are no dilutive instruments outstanding, basic and diluted (loss) earnings per share are identical.

4 CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Bank balances and cash	876,944	721,210	736,492
Short-term deposits with original maturities less than three months	<u>150,000</u>	<u>834,484</u>	<u>333,767</u>
	<u>1,026,944</u>	<u>1,555,694</u>	<u>-</u>
Bank overdrafts	-	(175,789)	-
	<u>1,026,944</u>	<u>1,379,905</u>	<u>1,070,259</u>

Short-term deposits are placed with a local bank in Kuwait. These deposits are denominated in KD and earn interest rate from 0.925% to 1.68% (2016: 0.925% to 1.68%) per annum.

5 TREASURY SHARES

	<i>30 September</i> <i>2017</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i>	<i>30 September</i> <i>2016</i>
Number of shares held	<u>1,316,700</u>	<u>1,316,700</u>	<u>1,316,700</u>
Percentage of shares held	<u>2.28%</u>	<u>2.28%</u>	<u>2.28%</u>
Cost (KD)	<u>223,952</u>	<u>223,952</u>	<u>223,952</u>
Market value (KD)	<u>237,006</u>	<u>395,010</u>	<u>395,010</u>
Weighted average market value per share (fils)	<u>180</u>	<u>284</u>	<u>284</u>

Reserves of the Parent Company equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

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.

There were no transactions with related parties during the period other than included in key management personnel compensation disclosed below.

Financial assets available-for-sale amounting to KD 35,789 (31 December 2016: KD 35,789 and 30 September 2016: KD 35,789) and financial assets at fair value through profit or loss amounting to KD 71,400 (31 December 2016: KD 71,400 and 30 September 2016: KD 71,400) are managed by a related party.

Key management personnel compensation

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Salaries and other employee benefits	47,364	33,255	167,712	99,765
End of service benefits	4,554	2,733	16,128	8,199
	51,918	35,988	183,840	107,964

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:

1. Hotel Management: Owning, operating and managing of hotels and chalets.
2. Catering and manpower supply services: Providing catering and manpower supply services to governmental and non-governmental institutions.
3. 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 present segment revenue and results information regarding the Group's business segments:

	<i>Hotel & chalets management</i>	<i>Catering and manpower supply services</i>	<i>Information technology services</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Nine months ended 30 September 2017</i>				
Revenue	-	4,722,360	150,853	4,873,213
Management fees		-	-	
Hotel	603,687			603,687
Chalets	484,402			484,402
Results				
Segment profit (loss)	34,077	37,203	(19,046)	52,234
<i>Nine months ended 30 September 2016</i>				
Revenue	-	5,348,475	180,616	5,529,091
Management fees				
Hotels	582,787			582,787
Chalets	360,223			360,223
Results				
Segment profit	138,939	397,707	(3,880)	532,766

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

7 SEGMENT INFORMATION (continued)

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

	<i>Hotel & chalets management KD</i>	<i>Catering and manpower supply services KD</i>	<i>Information technology services KD</i>	<i>Total KD</i>
Assets				
<i>At 30 September 2017</i>	<u>4,738,548</u>	<u>4,182,561</u>	<u>29,767</u>	<u>8,950,876</u>
<i>At 31 December 2016 (Audited)</i>	<u>5,136,786</u>	<u>5,220,308</u>	<u>23,483</u>	<u>10,380,577</u>
<i>At 30 September 2016</i>	<u>5,847,151</u>	<u>4,744,166</u>	<u>18,609</u>	<u>10,609,926</u>
Liabilities				
<i>At 30 September 2017</i>	<u>1,675,688</u>	<u>1,537,083</u>	<u>56,832</u>	<u>3,269,603</u>
<i>At 31 December 2016 (Audited)</i>	<u>1,787,591</u>	<u>2,549,801</u>	<u>56,395</u>	<u>4,393,787</u>
<i>At 30 September 2016</i>	<u>2,112,693</u>	<u>1,908,467</u>	<u>94,814</u>	<u>4,115,974</u>

8 DIVIDENDS

The shareholders of the Parent Company approved in the Annual General Meeting held on 13 June 2017, cash dividend of 5 fils per share amounting to KD 282,190 for the financial year 31 December 2016 (2015: Nil).

9 COMMITMENTS

The Group has entered into commercial leases for certain premises and a property rented from the Government of Kuwait. These leases have an average life of between one and five years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>30 September 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 September 2016 KD</i>
Within one year	<u>301,557</u>	<u>306,812</u>	<u>374,328</u>
After one year but not more than five years	<u>485,943</u>	<u>289,340</u>	<u>429,704</u>
	<u>787,500</u>	<u>596,152</u>	<u>804,032</u>

10 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,931,309 (31 December 2016: KD 2,617,567 and 30 September 2016: KD 1,991,929). It is anticipated that no material liabilities will arise.

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date except for certain unquoted financial assets available for sale amounting to KD 92,514 (31 December 2016: KD 92,514 and 30 September 2016: KD 92,514) that are carried at cost less impairment, if any, because their value cannot be reliably measured.