KUWAIT HOTELS COMPANY K.S.C.P.
AND ITS SUBSIDIRIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 SEPTEMBER 2019

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 September 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 nine-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 nine-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 nine-month period ended 30 September 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

17 October 2019
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the period ended 30 September 2019

		Three months ended 30 September		*Nine months ended 30 September*	
		2019	*2018*	***2019***	*2018*
	Notes	***KD***	*KD*	***KD***	*KD*
Revenue from contracts with customers	12	**1,129,857**	1,256,902	**4,142,015**	4,425,576
Management fees		**171,077**	226,314	**596,691**	617,318
Rental income		**230,610**	237,944	**690,485**	661,235
Total revenue		**1,531,544**	1,721,160	**5,429,191**	5,704,129
Cost of sales		**(1,368,728)**	(1,350,252)	**(4,519,857)**	(4,540,646)
GROSS PROFIT		**162,816**	370,908	**909,334**	1,163,483
Other income		**15,352**	69,441	**79,127**	111,824
Gain (loss) on disposal of property and equipment	4	**215,764**	(58,516)	**215,764**	(58,516)
Gain on sale of intangible assets to a associate	8	**25,000**	-	**25,000**	-
Impairment of intangible assets		**-**	(77,251)	**-**	(77,251)
Share of results of an associate		**-**	(370)	**(268)**	4,785
Allowance for expected credit losses		**(17,029)**	(17,322)	**(17,029)**	(17,322)
Administrative expenses		**(396,454)**	(370,666)	**(1,137,388)**	(1,095,660)
Selling and distribution expenses		**(37,018)**	(150,016)	**(132,440)**	(176,134)
LOSS BEFORE TAX		**(31,569)**	(233,792)	**(57,900)**	(144,791)
Income taxes from foreign operations		**(890)**	(1,435)	**(1,844)**	(21,263)
Reversal of (provision for) National Labour Support Tax (NLST)		**73**	(12,123)	**(811)**	(14,606)
Reversal of Kuwait Foundation for Advancement of Sciences (KFAS)		**-**	490	**-**	-
Reversal of (provision for) Zakat		**145**	540	**(45)**	-
LOSS FOR THE PERIOD		**(32,241)**	(246,320)	**(60,600)**	(180,660)
Attributable to:					
Equity holders of the Parent Company		**(31,899)**	(245,906)	**(60,342)**	(180,273)
Non-controlling interests		**(342)**	(414)	**(258)**	(387)
		(32,241)	(246,320)	**(60,600)**	(180,660)
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	**(0.6) fils**	(4.4) fils	**(1.1) fils**	(3.2) fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2019

	Three months ended 30 September		*Nine months ended 30 September*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*
Loss for the period	**(32,241)**	(246,320)	**(60,600)**	(180,660)
Other comprehensive income (loss)				
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	**6,001**	3,082	**(13,343)**	1,250
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:				
Net loss on equity instruments at fair value through other comprehensive income	**-**	(25,100)	**-**	(25,100)
Other comprehensive income (loss) for the period	**6,001**	(22,018)	**(13,343)**	(23,850)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(26,240)**	(268,338)	**(73,943)**	(204,510)
Attributable to:				
Equity holders of the Parent Company	**(25,898)**	(267,924)	**(73,685)**	(204,123)
Non-controlling interests	**(342)**	(414)	**(258)**	(387)
	(26,240)	(268,338)	**(73,943)**	(204,510)

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

	Notes	*30 September 2019 KD*	*(Audited) 31 December 2018 KD*	*30 September 2018 KD*
ASSETS				
Non-current assets				
Property and equipment		**3,180,823**	3,568,320	3,554,736
Right-of-use assets		**1,146,797**	-	-
Intangible assets		**616,877**	1,060,877	1,060,877
Investment in associates	5	**129,220**	26,154	28,641
Investment securities		**50,235**	50,235	72,334
		5,123,952	4,705,586	4,716,588
Current assets				
Inventories		**242,051**	254,954	278,423
Accounts receivable and prepayments		**2,601,631**	1,878,877	2,330,530
Investment securities		**71,400**	71,400	71,400
Cash and short-term deposits	6	**1,478,551**	976,642	782,433
		4,393,633	3,181,873	3,462,786
TOTAL ASSETS		**9,517,585**	7,887,459	8,179,374
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	7	**(223,952)**	(223,952)	(223,952)
Fair value reserve		**(83,822)**	(83,822)	(65,922)
Foreign currency translation reserve		**(396,800)**	(383,457)	(379,977)
Other reserve		**(513,600)**	(513,600)	(513,600)
Accumulated losses		**(662,785)**	(602,443)	(419,134)
Equity attributable to equity holders of the Parent Company		**4,923,609**	4,997,294	5,201,983
Non-controlling interests		**2,317**	2,575	3,265
Total equity		**4,925,926**	4,999,869	5,205,248
Non-current liabilities				
Employees' end of service benefits		**858,460**	790,738	857,503
Lease liabilities		**1,055,040**	-	-
		1,913,500	790,738	857,503
Current liabilities				
Accounts payable and accruals		**2,354,756**	2,096,852	2,116,623
Lease liabilities		**111,602**	-	-
Bank overdraft	6	**211,801**	-	-
		2,678,159	2,096,852	2,116,623
Total liabilities		**4,591,659**	2,887,590	2,974,126
TOTAL EQUITY AND LIABILITIES		**9,517,585**	7,887,459	8,179,374

Ahmad Yousef El-Kandari
Chairman

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 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 for the period	-	-	-	-	-	-	-	(60,342)	(60,342)	(258)	(60,600)
Other comprehensive loss for the period	-	-	-	-	-	(13,343)	-	-	(13,343)	-	(13,343)
Total comprehensive loss for the period	-	-	-	-	-	(13,343)	-	(60,342)	(73,685)	(258)	(73,943)
At 30 September 2019	**5,775,000**	**716,137**	**313,431**	**(223,952)**	**(83,822)**	**(396,800)**	**(513,600)**	**(662,785)**	**4,923,609**	**2,317**	**4,925,926**
Balance 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
Loss for the period	-	-	-	-	-	-	-	(180,273)	(180,273)	(387)	(180,660)
Other comprehensive (loss) income for the period	-	-	-	-	(25,100)	1,250	-	-	(23,850)	-	(23,850)
Total comprehensive (loss) income for the period	-	-	-	-	(25,100)	1,250		(180,273)	(204,123)	(387)	(204,510)
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	33,020	33,020
At 30 September 2018	5,775,000	716,137	313,431	(223,952)	(65,922)	(379,977)	(513,600)	(419,134)	5,201,983	3,265	5,205,248

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2019

	Note	*Nine months ended 30 September* 2019 KD	2018 KD
OPERATING ACTIVITIES			
Loss before tax		**(57,900)**	(144,791)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of property and equipment		**335,636**	285,902
Depreciation on right-of-use assets		**180,975**	-
Finance costs		**48,545**	-
Interest income		**(8,029)**	-
Provision for employees' end of service benefits		**129,229**	129,137
Provision for slow moving items		**1,500**	-
Allowance for expected credit losses		**17,029**	17,322
(Gain) loss on disposal of items of property and equipment		**(215,764)**	58,516
Gain on sale of intangible assets to an associate		**(25,000)**	-
Impairment of intangible assets		**-**	77,251
Share of results of an associate		**268**	(4,785)
		406,489	418,552
Working capital adjustments:			
Inventories		**11,403**	81,465
Accounts receivable and prepayments		**(753,126)**	(655,589)
Accounts payable and accruals		**255,204**	196,673
Cash flows (used in) from operations		**(80,030)**	41,101
Employees' end of service benefits paid		**(61,507)**	(149,686)
Net cash flows used in operating activities		**(141,537)**	(108,585)
INVESTING ACTIVITIES			
Purchase of items of property and equipment		**(244,476)**	(112,010)
Proceeds from liquidation of a subsidiary		**-**	33,020
Proceeds from disposal of property and equipment		**512,101**	-
Proceeds from disposal of intangible assets		**469,000**	-
Payments towards investment in associates		**(105,000)**	-
Interest income received		**8,029**	-
Net cash flows from (used in) investing activities		**639,654**	(78,990)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(206,649)**	-
Finance costs paid		**(3,026)**	-
Net cash flows used in financing activities		**(209,675)**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**288,442**	(187,575)
Net foreign exchange differences		**1,666**	6
Cash and cash equivalents at 1 January		**976,642**	970,002
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6	**1,266,750**	782,433
Non-cash items excluded from the interim condensed consolidated statement of cash flows:			
Transitional adjustment to trade and other receivables on adoption of IFRS 9		**-**	(272,695)
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)**	-

The attached notes 1 to 12 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 nine months ended 30 September 2019 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 17 October 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.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies and methods of computation 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 information 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	**(180,975)**	**-**
Finance costs	**-**	**45,519**
Disposals	**(180,919)**	**(180,919)**
Payments	**-**	**(206,649)**
At 30 September 2019	**1,146,797**	**1,166,642**

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 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 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 September		*Nine months ended 30 September*	
	2019	*2018*	*2019*	*2018*
Loss for the period attributable to equity holders of the Parent Company (KD)	**(31,899)**	(245,906)	**(60,342)**	(180,273)
Weighted average number of shares outstanding (shares)*	**56,433,300**	56,433,300	**56,433,300**	56,433,300
Basic and diluted EPS (fils)	**(0.6) fils**	(4.4) fils	**(1.1) fils**	(3.2) fils

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

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 GAIN ON SALE OF PROPERTY AND EQUIPMENT

On 4 July 2019, the Group sold certain properties and equipment along with a land lease right from government with a total carrying value of KD 534,236 for an overall consideration of KD 750,000. The resultant gain of KD 215,764 has been recorded in interim condensed consolidated statement of profit or loss.

5 INVESTMENT IN ASSOCIATES

Name of associates	*% equity interest* *30 September 2019*	*31 December 2018*	*Country of Incorporation*	*Principal Activities*
Abu Nawas for Tourism and Services	**50%**	50%	Tunisia	Travel and tourism related services
CAF Catering Company W.L.L.*	**50%**	-	Kuwait	Food and beverages

* During the period, the Group entered into a joint venture agreement with CAF Café Company W.L.L. ("CAF Cafe") to establish CAF Catering Company W.L.L. ("CAF Catering"). The joint venture was incorporated on 1 January 2019 and is involved in providing catering services. The Group accounted the investment using the equity method as the Group does not exercise "joint control" over CAF Catering, whereby all decisions relating to the operational and managerial activities vests with CAF Café as per the terms of the joint venture agreement and hence the investment is classified as investment in associates in the interim condensed consolidated financial information.

The associate has not commenced its commercial operations as at the date of authorisation of these interim condensed consolidated financial information.

6 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 September 2019 KD	*(Audited) 31 December 2018 KD*	*30 September 2018 KD*
Cash at bank and in hand	**878,551**	726,642	782,433
Short-term deposits*	**600,000**	250,000	-
Cash and short-term deposits	**1,478,551**	976,642	782,433
Bank overdraft	**(211,801)**	-	-
Cash and cash equivalents as per statement of cash flows	**1,266,750**	976,642	782,433

* 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.

7 TREASURY SHARES

	30 September 2019	*(Audited) 31 December 2018*	*30 September 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	131,670

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.

8 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 September 2019 (31 December 2018: KD 88,900 and 30 September 2018: KD 107,189) are managed by a related party.

The following tables shows the aggregate value of transactions and outstanding balances with related parties:

	Three months ended 30 September		*Nine months ended 30 September*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*
Interim condensed consolidated statement of profit or loss				
Gain on sale of intangible assets to an associate	**25,000**	-	**25,000**	-

During the period, the Group has transferred intangible asset with a fair value of KD 180,000 (carrying value of KD 130,000) to the associate.

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 September		*Nine months ended 30 September*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*
Salaries and other short-term benefits	**47,362**	53,520	**142,092**	142,092
Post-employment benefits	**4,554**	5,436	**13,662**	13,662
	51,916	58,956	**155,754**	155,754

8 RELATED PARTY DISCLOSURES (continued)

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

	Balance outstanding as at		
	30 September 2019 KD	*(Audited) 31 December 2018 KD*	*30 September 2018 KD*
Salaries and short-term employee benefits	**39,222**	36,256	36,558
End of services benefits	**204,088**	190,330	185,694
	243,310	226,586	222,252

9 SEGMENTAL 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

9 SEGMENTAL INFORMATION (continued)

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 September 2019 KD	*30 September 2018 KD*	***30 September 2019 KD***	*30 September 2018 KD*	***30 September 2019 KD***	*30 September 2018 KD*	***30 September 2019 KD***	*30 September 2018 KD*
Revenue from contracts with customers	**-**	-	**4,022,234**	4,319,366	**119,781**	106,210	**4,142,015**	4,425,576
Management fees	**596,691**	617,318	**-**	-	**-**	-	**596,691**	617,318
Rental income	**690,485**	661,235	**-**	-	**-**	-	**690,485**	661,235
Other income	**67,279**	99,627	**11,848**	12,197	**-**	-	**79,127**	111,824
	1,354,455	1,378,180	**4,034,082**	4,331,563	**119,781**	106,210	**5,508,318**	5,815,953
Cost of sales	**(726,361)**	(713,026)	**(3,729,623)**	(3,779,211)	**(63,873)**	(48,409)	**(4,519,857)**	(4,540,646)
Gain (loss) on sale of property and equipment	**-**	-	**215,764**	(58,516)	**-**	-	**215,764**	(58,516)
Gain on sale of intangible assets to an associate	**-**	-	**25,000**	-	**-**	-	**25,000**	-
Impairment of intangible assets	**-**	-	**-**	(77,251)	**-**	-	**-**	(77,251)
Share of results of an associate	**(268)**	4,785	**-**	-	**-**	-	**(268)**	4,785
Allowance for expected credit losses	**(17,029)**	(11,322)	**-**	(6,000)	**-**	-	**(17,029)**	(17,322)
Administrative expenses	**(421,885)**	(594,933)	**(683,676)**	(462,255)	**(31,827)**	(38,472)	**(1,137,388)**	(1,095,660)
Selling and distribution expenses	**-**	-	**(132,440)**	(176,134)	**-**	-	**(132,440)**	(176,134)
Segment profit/(loss)	**188,912**	63,684	**(270,893)**	(227,804)	**24,081**	19,329	**(57,900)**	(144,791)
Depreciation on property and equipment	**(180,716)**	(153,868)	**(154,827)**	(131,863)	**(93)**	(171)	**(335,636)**	(285,902)
Depreciation on right-of-use assets	**-**	-	**(180,975)**	-	**-**	-	**(180,975)**	-

9 SEGMENTAL 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 September 2019	**5,116,610**	**4,342,294**	**58,681**	**9,517,585**
31 December 2018 (Audited)	4,521,666	3,354,413	11,380	7,887,459
30 September 2018	4,970,924	3,181,608	26,842	8,179,374
Liabilities				
30 September 2019	**1,686,089**	**2,846,439**	**59,131**	**4,591,659**
31 December 2018 (Audited)	1,451,465	1,381,193	54,932	2,887,590
30 September 2018	1,636,516	1,273,856	63,754	2,974,126

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.

10 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,747,894 (31 December 2018: KD 1,486,539 and 30 September 2018: KD 1,466,539). It is anticipated that no material liabilities will arise.

11 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.

11 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 September 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 September 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	-	-	72,334	72,334
	-	-	72,334	72,334

11 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 September 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.

12 REVENUE FROM CONTRACT WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the nine months ended 30 September 2019		
	Catering KD	***Bakery products KD***	***Total KD***
Type of goods or service			
Revenue from rendering of services	**3,443,028**	**-**	**3,443,028**
Sale of goods	**-**	**698,987**	**698,987**
	3,443,028	**698,987**	**4,142,015**
Timing of revenue recognition			
Goods transferred at a point in time	**-**	**698,987**	**698,987**
Services transferred over time	**3,443,028**	**-**	**3,443,028**
	3,443,028	**698,987**	**4,142,015**

	For the nine months ended 30 September 2018		
	Catering KD	*Bakery products KD*	*Total KD*
Type of goods or service			
Revenue from rendering of services	3,286,051	-	3,286,051
Sale of goods	-	1,139,525	1,139,525
	3,286,051	1,139,525	4,425,576
Timing of revenue recognition			
Goods transferred at a point in time	-	1,139,525	1,139,525
Services transferred over time	3,286,051	-	3,286,051
	3,286,051	1,139,525	4,425,576