

Kuwait Resorts Company K.P.S.C.
And its Subsidiary
State of Kuwait

Interim Condensed Consolidated Financial Information
For the six months ended 30 June 2020
And review report
(Unaudited)

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Contents	Page
Report on Review of Interim Condensed Consolidated Financial Information	
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	1
Interim Condensed Consolidated Statement of Income (Unaudited)	2
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)	3
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	4
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	5
Notes to Interim Condensed Consolidated Financial Information (Unaudited)	6-13

Kuwait Resorts Company K.P.S.C.

State of Kuwait

Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Resorts Company K.P.S.C. ("the Parent Company") and its subsidiary (together referred to as "the Group") as at 30 June 2020 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34 "Interim Financial Reporting". 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 the 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 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 International Accounting Standard 34 "Interim Financial Reporting".

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 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, the Executive Regulation, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six-months period ended 30 June 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.



Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche - Al-Wazzan & Co.

Kuwait, 13 August 2020

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020
(Unaudited)

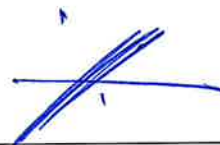
(All amounts are in Kuwaiti Dinars)

	Note	30 June 2020	31 December 2019 (audited)	30 June 2019
Assets				
Non-current assets				
Property, plant and equipment		118,512	55,342	1,495,339
Investment properties		11,873,805	11,821,505	12,047,590
Investment in associate		102,327	100,748	101,081
Investment in joint ventures		73,011	136,761	136,761
		<u>12,167,655</u>	<u>12,114,356</u>	<u>13,780,771</u>
Current assets				
Financial assets at fair value through OCI	5	14,651,378	13,672,047	13,480,330
Receivables and other debit balances	6	5,255,808	4,968,773	5,328,654
Cash, bank accounts and time deposits	7	1,763,635	2,294,681	2,237,943
		<u>21,670,821</u>	<u>20,935,501</u>	<u>21,046,927</u>
Total assets		<u>33,838,476</u>	<u>33,049,857</u>	<u>34,827,698</u>
Equity and liabilities				
Equity				
Share capital		19,646,550	19,646,550	19,646,550
Statutory reserve		3,518,019	3,518,019	3,408,071
Treasury shares	8	(392,460)	(388,370)	(388,370)
Change in fair value reserve		79,885	(107,479)	(383,415)
Foreign currency translation reserve		(111,406)	(172,059)	(216,567)
Retained earnings		6,270,066	5,608,816	5,728,454
		<u>29,010,654</u>	<u>28,105,477</u>	<u>27,794,723</u>
Liabilities				
Non-current liabilities				
Provision for employees' end of service indemnity		952,150	898,136	905,898
Current liabilities				
Due to banks	9	2,326,879	1,820,286	3,613,990
Payables and other credit balances	10	1,548,793	2,225,958	2,513,087
		<u>3,875,672</u>	<u>4,046,244</u>	<u>6,127,077</u>
Total liabilities		<u>4,827,822</u>	<u>4,944,380</u>	<u>7,032,975</u>
Total equity and liabilities		<u>33,838,476</u>	<u>33,049,857</u>	<u>34,827,698</u>

The accompanying notes form an integral part of this interim condensed consolidated financial information.



Adwan Mohammad Al-Adwani
Chairman



Ibrahim Mohamed Al-Ghanim
Vice Chairman and CEO

Interim Condensed Consolidated Statement of Income for the six-months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
Operating revenue		534,216	2,385,169	2,213,199	4,864,650
Operating cost		(468,592)	(1,955,284)	(1,547,273)	(3,756,301)
Gross operating profit		65,624	429,885	665,926	1,108,349
Net gain from investments		521,310	277,184	521,310	529,251
Other income / (losses)		4,996	3,693	(213,576)	(65,116)
(Losses)/ gain from foreign currency differences		(1,812)	(1,871)	13,230	(10,549)
Expected credit loss		(68,947)	-	(68,947)	(75,000)
General and administrative expenses		(105,041)	(130,937)	(196,951)	(255,641)
Finance costs		(7,759)	(59,219)	(28,439)	(121,525)
Net profit before deductions		408,371	518,735	692,553	1,109,769
Contribution to KFAS		(3,675)	(4,669)	(6,233)	(9,988)
National Labor Support Tax		(3,246)	(7,125)	(11,097)	(23,149)
Zakat expense		(1,299)	(280)	(4,439)	(6,689)
Net profit for the period		400,151	506,661	670,784	1,069,943
Earnings per share (fils)	11	2.08	2.70	3.48	5.77

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income for the six-months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
Net profit for the period	400,151	506,661	670,784	1,069,943
Other comprehensive income/ (loss) items				
<i>Items that may not be reclassified subsequently to the interim condensed consolidated statement of income</i>				
Investments at fair value through other comprehensive income:				
Change in fair value through other comprehensive income	473,147	35,717	177,830	167,766
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income</i>				
Foreign currency translation reserve	(10,153)	(65,799)	60,653	(178,539)
Total other comprehensive income/ (loss) items	462,994	(30,082)	238,483	(10,773)
Total comprehensive income for the period	863,145	476,579	909,267	1,059,170

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity for the six-months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Share capital	Statutory reserve	Treasury shares	Change in fair value reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as at 1 January 2019	19,646,550	3,408,071	(1,305,659)	(528,523)	(38,028)	5,553,142	26,735,553
Net profit for the period	-	-	-	-	-	1,069,943	1,069,943
Transferred reserve from disposal of financial assets at fair value through other comprehensive item	-	-	-	(22,658)	-	22,658	-
Distribution of treasury shares (Note 12)	-	-	917,289	-	-	(917,289)	-
Other comprehensive loss items	-	-	-	167,766	(178,539)	-	(10,773)
Balance as at 30 June 2019	19,646,550	3,408,071	(388,370)	(383,415)	(216,567)	5,728,454	27,794,723
Balance as at 1 January 2020	19,646,550	3,518,019	(388,370)	(107,479)	(172,059)	5,608,816	28,105,477
Net profit for the period	-	-	-	-	-	670,784	670,784
Loss on sale of investment at fair value through OCI	-	-	-	9,534	-	(9,534)	-
Purchase of treasury shares	-	-	(4,090)	-	-	-	(4,090)
Other comprehensive income items	-	-	-	177,830	60,653	-	238,483
Balance as at 30 June 2020	19,646,550	3,518,019	(392,460)	79,885	(111,406)	6,270,066	29,010,654

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows for the six-months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Six months ended	
	30 June	
	2020	2019
Cash flows from operating activities		
Net profit for the period	670,784	1,069,943
Adjustments:		
Depreciation	19,973	901,090
Cash dividends from investments	(521,310)	(529,251)
Finance costs	28,439	121,525
Expected credit losses	68,947	75,000
Provision for employees' end of service indemnity	72,795	123,595
Operating profits before working capital changes	339,628	1,761,902
Receivables and other debit balances	18,217	(53,545)
Payables and other credit balances	(585,968)	(423,148)
Payment of end of service indemnity	(18,781)	(42,332)
Net cash (used in)/ generated from operating activities	(246,904)	1,242,877
Cash flows from investing activities		
Paid for purchase of property, plant and equipment	(83,143)	(62,661)
Purchase of Financial assets at fair value through OCI	(812,865)	(142,715)
Proceeds from sale of Financial assets at fair value through OCI	11,324	83,730
Cash dividends received	216,098	529,251
Net cash (used in) / generated from investing activities	(668,586)	407,605
Cash flows from financing activities		
Cash dividends Paid	-	(13,717)
Purchase of treasury shares	(4,090)	-
Net change in due to banks	513,367	(978,320)
Finance costs paid	(55,886)	(120,409)
Net cash generating from/ (used in) financing activities	453,391	(1,112,446)
Net (decrease)/ increase in cash and cash equivalents	(462,099)	538,036
Cash and cash equivalents at the beginning of the period	2,294,681	1,699,907
Expected credit loss	(68,947)	-
Cash and cash equivalents at the end of the period	7	2,237,943

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information for the six-months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and activities

Kuwait Resorts Company is a Kuwaiti Shareholding Company (Public) "the Parent Company" - Kuwait established in Kuwait, under article of incorporation No. 4179 dated 7 August 2002 and registered in the commercial register under No. 91093 dated 22 September 2002.

The registered office of the Parent Company is at P.O. Box No. 7887, Fahaheel 64009, State of Kuwait.

The Parent Company's objectives are as follows:

- 1- Design, construct, manage and utilize Mangaf Resort (Plage 13) according to contract signed with Touristic Enterprise Company (KSC) and its annexure signed with Ministry of Finance, which includes five stars hotel, ballroom, shops, chalets and gyms.
- 2- Purchase and rent equipment, machines, catering and consumables that serve the Company's objectives.
- 3- Owning, selling and acquiring real estate and lands and developing them in the Company's favor, inside and outside Kuwait, also managing others' properties, without violating the laws relating to private residential houses.
- 4- Owning, selling and acquiring real estate company's shares and bonds only in favor of the Company inside and outside Kuwait.
- 5- Preparing studies and providing consultations in the field of real estate.
- 6- Owning and managing hotels, gyms and touristic facilities and renting them.
- 7- Conducting maintenance activities relating to buildings and real estates owned by the Company including civil, mechanic and electrical works and elevators and air condition maintenance that maintain safety of the buildings.
- 8- Managing, operating, investing and renting all kind of hotels, clubs, motels, rest houses, resorts, parks, exhibitions, restaurants, cafeterias, residential compounds, health and touristic resorts, entertaining and sport projects and shops including all basic and supporting services and facilities.
- 9- Organizing real estate exhibitions relating to the Company's real estate projects according to rules and practices in the ministry.
- 10- Conducting real estate auctions according to rules and practices in the ministry.
- 11- Owning and managing commercial complexes and residential compounds.
- 12- Investing the surplus funds in investment and real estate portfolios managed by specialized companies.

The Company conducts the above mentioned activities inside and outside Kuwait by itself or through agent.

The Company can incorporate, acquire interest or participate in all means with corporations with similar activities or assist in achieving the Company's objectives inside and outside Kuwait.

The activities of the Parent Company are carried out in accordance with Noble Islamic Sharia principles.

The Parent Company owns a five star hotel "Hilton Kuwait Resort" in the State of Kuwait.

The Parent Company was listed on the Kuwait Stock Exchange on 21 July 2007.

The interim condensed consolidated financial information for the Group includes the financial information of the Parent Company and its wholly owned subsidiary Bahraini Resort Company W.L.L., together referred as "The Group". The subsidiary has been consolidated based on management accounts as at 30 June 2020.

The Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2019 at the annual general assembly meeting held on 24 June 2020 (Note 12).

These interim condensed consolidated financial information for the six months ended 30 June 2020 was authorized for issue by the board of directors of the Parent Company on 13 August 2020.

Notes to the Interim Condensed Consolidated Financial Information for the six-months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. (34), "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards.

In the management's opinion, all necessary adjustments, including recurring accruals have been included in the interim condensed consolidated financial information for fair presentation. The operating results for the period ended 30 June 2020 are not necessarily indicative of results that may be expected for the year ending 31 December 2020. For further information, it is possible to refer to the consolidated financial statements and its related notes for the year ended 31 December 2019.

The Group's component Hilton Kuwait Resort financial statements for year ended 31 December 2019 have been prepared on a going concern basis as the management believes that the owner will get the lease term, relating to the property on which the Resort operates, extended for one year on expiration of the current term.

2.2 Significant accounting policies

The accounting policies used in preparing the interim condensed consolidated financial information similar to those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the effect of application of new and revised International Financial Reporting Standards (IFRS) as the follows:

2.1.1 New and amended standards adopted by the Group

Effective for annual periods beginning on or after January 1, 2020

New and amended IFRSs standards

**Effective for
annual periods
beginning on or after**

Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* January 1, 2020

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

Definition of a Business – Amendments to IFRS 3 *Business Combinations* January 1, 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Amendments to References to the Conceptual Framework in IFRS Standards January 1, 2020

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments January 1, 2020

Amendments regarding pre-replacement issues in the context of the IBOR reform

**Notes to the Interim Condensed Consolidated Financial Information for the six-months ended 30 June 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

New and amended IFRSs standards

**Effective for
annual periods
beginning on or after
June 1, 2020**

During the period, IASB board have amended IFRS 16 in order to be in line with Covid-19 related rent concession, the amendments are as follows:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

3. Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: valuation techniques that are not based on observable market data.

The table below gives information about how the fair values of the significant financial assets and liabilities are determined:

Financial assets	Fair value as at			Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30/06/2020	31/12/2019	30/06/2019				
Quoted Shares	5,890,015	5,135,281	5,076,589	1	Last bid price	-	-
Unquoted shares	8,761,363	8,536,766	8,403,741	3	Market multiple	Discount rate, growth rate	The higher market risk the lower the fair value

Reconciliation of Level 3 fair value measurements

	Unquoted investments		
	30 June 2020	31 December 2019 (Audited)	30 June 2019
Balance as at beginning period/ year	8,536,766	8,403,741	8,403,741
Change in fair value	(220,880)	217,244	-
Addition/ disposal	445,477	(84,219)	-
Balance as at ending period/ year	8,761,363	8,536,766	8,403,741

The fair values of other financial assets and financial liabilities which are not measured at fair value on ongoing basis equal approximately their carrying values.

**Notes to the Interim Condensed Consolidated Financial Information for the six-months ended 30 June 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

4. Estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019, except for the following:

Fair value measurements and valuation techniques

To determine the fair value of unquoted investments, the management is required to make estimates regarding to valuation techniques, discount rate and inputs used in valuation, as disclosed in note 3.

Expected credit losses

To determine the expected credit losses, the group is required to reassess forward-looking information and assumptions about the probability of default and expected credit risk rates.

5. Financial assets at fair value through OCI

	30 June 2020	31 December 2019 (audited)	30 June 2019
Quoted investments	5,890,015	5,135,281	5,076,589
Unquoted investments	8,761,363	8,536,766	8,403,741
	<u>14,651,378</u>	<u>13,672,047</u>	<u>13,480,330</u>

Financial assets at fair value through OCI are mainly represents investments with related parties as at 30 June 2020.

The investments include an amount of KD 11,638,468 pledged to banks as at 30 June 2020 (KD 10,903,390 - 31 December 2019, KD 11,052,132 - 30 June 2019) against facilities granted to the Group and the investee Company.

6. Receivables and other debit balances

	30 June 2020	31 December 2019 (audited)	30 June 2019
Trade receivables	341,704	523,693	515,867
Less: Provision for loss allowance	(104,881)	(102,326)	(95,405)
	<u>236,823</u>	<u>421,367</u>	<u>420,462</u>
Prepayments	119,000	101,024	749,687
Advance payments to acquire investment properties	4,148,570	3,932,454	3,527,241
Due from related parties (Note 13)	340,500	340,500	372,518
Other receivables	410,915	173,428	258,746
	<u>5,255,808</u>	<u>4,968,773</u>	<u>5,328,654</u>

7. Cash, bank accounts and time deposits

	30 June 2020	31 December 2019 (audited)	30 June 2019
Cash in hand	12,347	15,056	14,602
Cash at banks and portfolios	1,130,763	1,187,470	1,526,211
Time deposits	689,472	1,092,155	697,130
	<u>1,832,582</u>	<u>2,294,681</u>	<u>2,237,943</u>
Expected credit losses	(68,947)	-	-
	<u>1,763,635</u>	<u>2,294,681</u>	<u>2,237,943</u>

The Group has time deposits denominated in US Dollar amounting to KD 689,472 placed with a foreign bank. During the period the bank has failed to payback these deposits to the Group. Accordingly, the management has assessed these deposits to be impaired and accordingly expected credit losses of KD 68,947 have been recorded in the interim condensed consolidated statement of income for the six months ended 30 June 2020.

**Notes to the Interim Condensed Consolidated Financial Information for the six-months ended 30 June 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

8. Treasury shares

	30 June 2020	31 December 2019 (audited)	30 June 2019
Number of shares (share)	3,932,593	3,834,343	3,834,287
Ownership percentage (%)	1.95	1.95	1.95
Market value (KD)	212,360	231,211	194,015

The Parent Company is committed to retain reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

9. Due to banks

Due to banks are secured by investment properties, financial assets through OCI (Note 5), and secured by a mortgage of certain real estate properties owned by a major shareholder and his guarantee.

The average effective finance cost of credit facilities as at 30 June 2020 was 5% (5.5% - 31 December 2019, 5.75% - 30 June 2019).

10. Payables and other credit balances

	30 June 2020	31 December 2019 (audited)	30 June 2019
Trade payables	96,480	232,828	203,045
Accrued expenses and leave	100,375	473,572	241,841
Due to purchase of investments	-	-	81,307
Due to related parties (Note 13)	162,126	158,423	178,315
Contribution to KFAS	129,505	122,651	122,744
Dividends payables	31,900	38,265	47,787
Others	1,028,407	1,200,219	1,638,048
	<u>1,548,793</u>	<u>2,225,958</u>	<u>2,513,087</u>

11. Earnings per share

Earnings per share is computed by dividing net profit for the period by the weighted average number of ordinary shares outstanding, which is determined based on number of issued capital shares outstanding during the period, taking into account treasury shares, as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Net profit for the period (KD)	400,151	506,661	670,784	1,069,943
Weighted average number of outstanding shares during the period after deduction of treasury shares (shares)	<u>192,548,022</u>	<u>187,549,030</u>	<u>192,589,590</u>	<u>185,514,978</u>
Earnings per share (fils)	<u>2.08</u>	<u>2.70</u>	<u>3.48</u>	<u>5.77</u>

12. Dividends

On 24 June 2020 the Ordinary General Assembly of the shareholders has approved the consolidated financial statements for the year ended 31 December 2019 and approved distribution of bonus shares of 7%. (2018 – Distribution of 5 treasury shares of the Parent company for each 100 shares) which will be due to be distributed on 26 August 2020.

Notes to the Interim Condensed Consolidated Financial Information for the six-months ended 30 June 2020
(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

13. Related party transactions

Related parties comprise of the Parent Company's shareholders who are members in the board of directors, major shareholders, and key management personnel. In the ordinary course of business, the Group entered into transactions with related parties during the period. The following are the transactions and balances resulted from these transactions included in the interim condensed consolidated financial information:

	30 June 2020	31 December 2019 (audited)	30 June 2019
Balances			
Due from related parties	340,500	340,500	372,518
Due to related parties	162,126	158,423	178,315

The amounts due from/to related parties are non-interest bearing and are recoverable/payable on demand.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Transactions				
Key management benefits	54,042	60,337	114,423	120,581
Gains from investments	521,310	252,067	521,310	529,250

14. Contingent commitments and liabilities

	30 June 2020	31 December 2019 (audited)	30 June 2019
Letter of Guarantees	440,225	440,225	440,225

Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020

(Unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

15. Segment reporting

The Group is organized into two major operating segments; hotels and investment. Both segments results are reported to senior executive management. Further, Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparation of consolidated financial statements. Segment analysis in line with internal reports submitted to management is as follows:

	30 June 2020				30 June 2019			
	Hotels	Financial Investment	Real Estate	Total	Hotels	Financial Investment	Real Estate	Total
Revenues	2,213,199	-	302,587	2,515,786	4,864,650	-	372,686	5,237,336
Expenses	(1,547,273)	(68,947)	-	(1,616,220)	(3,756,301)	-	-	(3,756,301)
Segments results	665,926	(68,947)	302,587	899,566	1,108,349	-	372,686	1,481,035
Other income				5,147				16,448
Un allocated expenses				(233,929)				(427,540)
Net profit for the year	1,432,831	620,525	31,785,120	33,838,476	3,956,745	697,137	30,173,816	34,827,698
Segments assets	1,797,110	-	3,030,712	4,827,822	2,534,912	-	4,498,063	7,032,975
Segments liabilities								

Geographic distribution

	30 June 2020			30 June 2019		
	State of Kuwait	GCC	Total	State of Kuwait	GCC	Total
Segment revenue	2,751,760	22,525	2,774,285	5,398,214	34,320	5,432,534
Segment expenses	(2,092,227)	(11,274)	(2,103,501)	(4,307,116)	(55,475)	(4,362,591)
Segment result	659,533	11,251	670,784	1,091,098	(21,155)	1,069,943
Segments assets	20,744,550	13,093,926	33,838,476	21,879,092	12,948,606	34,827,698
Segments liabilities	4,553,387	274,435	4,827,822	5,625,660	1,407,315	7,032,975

**Notes to the Interim Condensed Consolidated Financial Information for the six months ended 30 June 2020
(Unaudited)**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

16. Impact of COVID-19

The World Health Organization declared on March 11, 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to businesses, with a consequential negative impact on economic activity. The Group operates in economies that are relatively dependent on the crude oil prices. At the reporting date, oil prices have witnessed unprecedented volatility and decline. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak. The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of IFRS, and incorporated the outcome in these interim condensed consolidated financial statements, and explained the significant changes below:

Fair value measurement of financial instruments

The Group has considered potential impact of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the relation to fair value measurements is disclosed in Note 3.

Investment properties

The Group has appointed an independent valuator to evaluate its significant investment properties located outside Kuwait. The valuation reports issued by the valutors indicated no significant impact to the fair value of the investment properties as at 30 June 2020 due to Covid-19. However, as markets and economy remain volatile, the Group is continuously monitoring the events. Based on the independent evaluation performed, the Group's management believes that recorded amounts represent the best estimate in light of the available information.

Expected Credit Losses

The Group has reassessed the inputs and assumptions used for the determination of expected credit losses as of 30 June 2020. The Group has updated forward-looking information based on the best estimates and judgement and considering the current economic climate of the respective market in which it operates and its impact on counterparties in various segments; as well as the resultant significant increase in the credit risk and has re-estimated the expected credit losses as of 30 June 2020. This assessment resulted in recording expected credit losses amounting to KD 68,947 for its time deposits which is included in the interim condensed consolidated statement of income for the six month period ended 30 June 2020 (note 7).