

Interim condensed consolidated financial information and review report

Automated Systems Company – KPSC and its Subsidiary

Kuwait

30 June 2019 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Automated Systems Company – KPSC
Kuwait

Introduction

We have reviewed the interim condensed consolidated statement of financial position of Automated Systems Company – KPSC (“the Parent Company”) and its subsidiary (“the Group”) as of 30 June 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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 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 review of other legal and regulatory requirements

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, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 2019 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
24 July 2019

Interim condensed consolidated statement of profit or loss and other comprehensive income

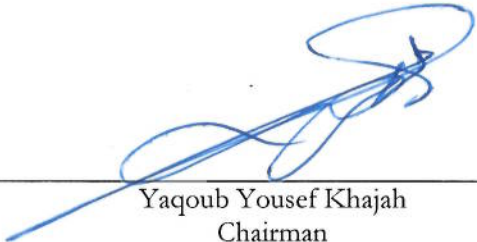
	Note	Three months ended		Six months ended	
		30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD
Continuing operations:					
Revenue from contracts with customers		917,006	971,433	1,828,900	1,646,792
Cost of sales and services		(711,529)	(827,687)	(1,485,790)	(1,368,309)
Gross profit		205,477	143,746	343,110	278,483
Distribution and administrative costs		(271,080)	(178,804)	(497,676)	(361,578)
Other (losses)/gains		(26,011)	(8,529)	(4,569)	48,539
Other income		84,904	83,101	176,978	171,125
Impairment (losses)/gains on financial assets		(6,607)	6,562	5,313	(839)
(Loss)/profit for the period from continuing operations		(13,317)	46,076	23,156	135,730
Discontinued operations:					
Profit for the period from discontinued operations	5	-	205,176	-	615,801
(Loss)/profit before provisions for contribution to KFAS, NLST, Zakat and directors' remuneration		(13,317)	251,252	23,156	751,531
Reversal of/(provision for) contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		120	(2,262)	(208)	(6,764)
Provision for National Labour Support Tax (NLST)		-	(5,042)	-	(17,758)
Provision for Zakat		-	(2,017)	-	(7,103)
Provision for directors' remuneration		-	(15,000)	-	(30,000)
(Loss)/profit for the period		(13,197)	226,931	22,948	689,906
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the period		(13,197)	226,931	22,948	689,906
Basic and diluted (losses)/earnings per share attributable to shareholders of the Parent Company (Fils)					
- From continuing operations		(0.13)	0.29	0.23	1.00
- From discontinued operations		-	1.98	-	5.90
Basic and diluted (losses)/earnings per share attributable to shareholders of the Parent Company (Fils)	6	(0.13)	2.27	0.23	6.90

* Amounts shown here do not correspond with the previously reported interim condensed financial information for the six months ended 30 June 2018 as a result of adjustments made for discontinued operations as detailed in note 5.

The notes set out on pages 6 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Assets				
Non-current assets				
Goodwill		120,818	120,818	-
Intangible assets		114,549	5,142	-
Property and equipment		364,294	389,690	406,254
Finance lease receivables		-	242,092	684,383
Accounts receivable and other assets	7	1,348,993	1,154,766	1,013,052
		1,948,654	1,912,508	2,103,689
Current assets				
Finance lease receivables		709,871	909,684	831,600
Inventories		98,019	97,401	32,217
Accounts receivable and other assets	7	2,087,829	2,281,621	2,384,432
Investments at fair value through profit or loss		522,353	519,900	583,837
Cash and cash equivalents	8	8,890,244	10,202,786	9,356,887
		12,308,316	14,011,392	13,188,973
Total assets		14,256,970	15,923,900	15,292,662
Equity and liabilities				
Equity				
Share capital	9	10,000,000	10,000,000	10,000,000
Statutory reserve		2,746,815	2,746,815	2,694,643
Voluntary reserve		36,389	36,389	36,389
Retained earnings		65,121	442,173	689,906
Total equity		12,848,325	13,225,377	13,420,938
Non-current liabilities				
Provision for employees' end of service benefits		538,389	562,873	520,285
Current liabilities				
Accounts payable and other liabilities		870,256	2,135,650	1,351,439
Total liabilities		1,408,645	2,698,523	1,871,724
Total equity and liabilities		14,256,970	15,923,900	15,292,662



 Yaqoub Yousef Khajah
 Chairman

The notes set out on pages 6 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Total KD
Balance as at 31 December 2018 (audited and consolidated)	10,000,000	2,746,815	36,389	442,173	13,225,377
Dividend paid (note 10)	-	-	-	(400,000)	(400,000)
Transactions with shareholders	-	-	-	(400,000)	(400,000)
Total comprehensive income for the period	-	-	-	22,948	22,948
Balance at 30 June 2019 (unaudited and consolidated)	10,000,000	2,746,815	36,389	65,121	12,848,325
Balance as at 31 December 2017 (audited and unconsolidated)	10,000,000	2,694,643	180,272	1,427,912	14,302,827
Adjustment arising on adoption of IFRS 9	-	-	-	(71,795)	(71,795)
Balance as at 1 January 2018 (restated)	10,000,000	2,694,643	180,272	1,356,117	14,231,032
Dividend paid	-	-	(143,883)	(1,356,117)	(1,500,000)
Transactions with shareholders	-	-	(143,883)	(1,356,117)	(1,500,000)
Total comprehensive income for the period	-	-	-	689,906	689,906
Balance at 30 June 2018 (unaudited and unconsolidated)	10,000,000	2,694,643	36,389	689,906	13,420,938

The notes set out on pages 6 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2019 (Unaudited) KD	Six months ended 30 June 2018 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before provisions for contribution to KFAS, NLST, Zakat and directors' remuneration		23,156	751,531
Adjustments:			
Depreciation and amortisation		59,806	73,345
Change in fair value of investments at fair value through profit or loss		7,553	(8,799)
(Gain)/loss on sale of investments at fair value through profit or loss		(5,488)	2,644
Interest income		(109,595)	(72,062)
Dividend income		(4,518)	(5,000)
Foreign exchange loss/(gain)		2,503	(32,438)
Provision for employees' end of service benefits		46,543	45,530
Provision for inventories		627	-
(Gain)/loss on disposal of property and equipment		(5,211)	(293)
Impairment (gains)/losses on financial assets		(5,313)	839
		10,063	755,297
Changes in operating assets and liabilities:			
Finance lease receivables		443,234	367,367
Inventories		(1,245)	2,560
Accounts receivable and other assets		(15,455)	(215,277)
Accounts payable and other liabilities		(1,325,186)	(570,973)
Cash (used in)/from operations		(888,589)	338,974
Employees' end of service benefits paid		(71,027)	(27,600)
Net cash (used in)/from operating activities		(959,616)	311,374
INVESTING ACTIVITIES			
Purchase of property and equipment		(24,127)	(43,489)
Proceeds from disposal of equipment		5,521	293
Purchase of intangible assets		(30,000)	-
Proceeds from sale of investments at fair value through profit or loss		189,441	80,314
Purchase of investments at fair value through profit or loss		(189,441)	(74,176)
Interest income received		106,404	75,814
Net cash from investing activities		57,798	38,756
FINANCING ACTIVITIES			
Dividend paid		(400,127)	(1,500,219)
Net cash used in financing activities		(400,127)	(1,500,219)
Decrease in cash and cash equivalents		(1,301,945)	(1,150,089)
Effect of foreign exchange rate on cash and cash equivalents		(10,597)	(58,887)
Cash and cash equivalents at beginning of the period	8	10,202,786	10,565,863
Cash and cash equivalents at end of the period	8	8,890,244	9,356,887

* Details of cash flows of discontinued operation summarised in note 5.

The notes set out on pages 6 to 21 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the Parent Company

Automated Systems Company - KPSC (the "Parent Company") is a Kuwait Public Shareholding Company registered in Kuwait. The Parent Company and its subsidiary are together referred to as "the Group".

The Parent Company's main activities are:

- Ownership directly and indirectly in other local and foreign companies operating in the field of information technology and in the same field and activity of the Company.
- Design and equipment of computer centres and information systems for the Company and third parties.
- Development of computer systems and software and arabization systems of computer hardware and accessories.
- Training to institutions and individuals on integrated systems and electronic trade at the Company premises.
- The Company is also permitted to invest surplus fund in shares and other securities managed by portfolios managers.

The Parent Company was listed on the Boursa Kuwait on 17 November 2002.

The Parent Company is a subsidiary of Kuwait Airways Company K.S.C. ("the Ultimate Parent Company"), a Kuwaiti registered entity.

The registered head office of the Parent Company is P.O. Box 27159, 13132 Safat, Kuwait.

The interim condensed consolidated financial information for the period ended 30 June 2019 was approved for issue by the board of directors on 24 July 2019.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-months period ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the changes described in note 3.

The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

The preparation of interim condensed consolidated financial information requires management to make judgements, 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 judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2018.

Operating results for the six-months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2018.

With effect from 1 August 2018, the Parent Company has acquired a subsidiary which resulted in the Parent Company preparing interim condensed consolidated financial information for the six months period ended 30 June 2019. Accordingly, the previous period's financial information is unconsolidated.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 16 Leases	1 January 2019

IFRS 16 Leases

IFRS 16 replaced IAS 17 and the related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged. The new accounting policy is described below.

On transition, for leases previously accounted for as operating leases with a remaining lease period of less than 12 months, management has elected the optional exemption to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. For the remaining leases that falls under the definition of IFRS 16, management assessed the impact of adopting this standard requirements and concluded that the effect is not material, hence it will continue to account for the lease expense on a straight-line basis over the remaining lease term. Accordingly, adoption of this standard did not have a significant impact on this interim condensed consolidated financial information.

New accounting policy for leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 16 Leases (continued)

New accounting policy for leases (continued)

The Group as a lessee (continued)

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 16 Leases (continued)

Lease liability (continued)

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its computer equipment. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's interim condensed consolidated financial information is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's interim condensed consolidated financial information.

Standard or Interpretation

Effective for annual periods beginning

IFRS 3 – Amendments
IAS 1 and IAS 8 - Amendments

1 January 2020
1 January 2020

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired 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 outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4 Judgements and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, 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 judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2018 except for the changes arising from applying IFRS 16 as noted in 3 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment

Notes to the interim condensed consolidated financial information (continued)

5 Discontinued operations

The Parent Company received a notification on 24 October 2018 from the owner of the computerised passenger reservation system, stating their decision not to renew the contract with the Parent Company beyond its expiry on 31 December 2018. Accordingly, the computerised passenger reservation system segment was discontinued as of 31 December 2018.

Accordingly, revenue and expenses, gains and losses relating to the discontinuation of this segment for the six months period ended 30 June 2018 have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Operating profit from discontinued operations are summarised as follows:

	Three months ended		Six months ended	
	30 June 2019 (Unaudited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD	30 June 2019 (Unaudited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Revenue from contracts with customers	-	1,223,585	-	2,587,096
Cost of sales and services	-	(1,003,825)	-	(1,961,349)
Gross profit	-	219,760	-	625,747
Other gains	-	(14,584)	-	(9,946)
Profit for the period	-	205,176	-	615,801

Cash flows generated from discontinued operations for the reporting periods under review are as follows:

	Six months ended 30 June 2019 (Unaudited) KD	(Unconsolidated) Six months ended 30 June 2018 (Unaudited) KD
Operating activities	-	131,869
Investing activities	-	(33,783)
	-	98,086

Notes to the interim condensed consolidated financial information (continued)

6 Basic and diluted (losses)/earnings per share attributable to the shareholders of the Parent Company

Basic and diluted (losses)/earnings per share are calculated by dividing (loss)/profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Six months ended	
	30 June 2019 (Unaudited)	(Unconsolidated) 30 June 2018 (Unaudited)	30 June 2019 (Unaudited)	(Unconsolidated) 30 June 2018 (Unaudited)
(Loss)/profit for the period from continuing operations (KD)	(13,197)	29,361	22,948	100,018
Profit for the period from discontinued operations (KD)	-	197,570	-	589,888
(Loss)/profit for the period (KD)	(13,197)	226,931	22,948	689,906
Weighted average number of shares outstanding during the period (shares)	100,000,000	100,000,000	100,000,000	100,000,000
Basic and diluted (losses)/earnings per share attributable to shareholders of the Parent Company (Fils)				
- From continuing operations	(0.13)	0.29	0.23	1.00
- From discontinued operations	-	1.98	-	5.90
Total - Fils	(0.13)	2.27	0.23	6.90

7 Accounts receivable and other assets

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Financial assets:			
a) Trade receivables:			
Trade receivables, gross	596,612	445,931	375,765
Less: Provision for doubtful debts	(258,125)	(259,557)	(214,296)
Trade receivables, net	338,487	186,374	161,469
b) Other financial assets			
Due from Ultimate Parent Company	2,413,970	2,039,261	1,378,305
Accrued income	814,755	1,201,090	1,722,458
Other receivables	109,212	191,445	156,338
Other financial assets, gross	3,337,937	3,431,796	3,257,101
Less: Provision for doubtful debts	(382,979)	(385,531)	(124,775)
Other financial assets, net	2,954,958	3,046,265	3,132,326
Total financial assets	3,293,445	3,232,639	3,293,795

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets (continued)

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Non-financial assets:			
Advances to suppliers	11,144	40,881	-
Prepaid expenses	132,233	162,867	103,689
Total non-financial assets	143,377	203,748	103,689
Total accounts receivable and other assets	3,436,822	3,436,387	3,397,484
Less: non-current portion – Due from Ultimate Parent Company	(1,348,993)	(1,154,766)	(1,013,052)
Accounts receivable and other assets – current portion	2,087,829	2,281,621	2,384,432

The movement in the provision for doubtful debts is as follows:

	Six months ended 30 June 2019 (Unaudited)			(Unconsolidated) Six months ended 30 June 2018 (Unaudited)		
	Trade receivables KD	Other financial assets KD	Total KD	Trade receivables KD	Other financial assets KD	Total KD
Balance at beginning of the period	259,557	385,531	645,088	165,380	105,618	270,998
Adjustment arising on adoption of IFRS 9	-	-	-	45,601	20,530	66,131
(Reversal)/charge for the period	259,557 (1,432)	385,531 (2,552)	645,088 (3,984)	210,981 3,315	126,148 (1,373)	337,129 1,942
	258,125	382,979	641,104	214,296	124,775	339,071

8 Cash and cash equivalents

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Cash on hand	838	1,818	239
Bank balances	639,406	2,050,968	2,206,648
Fixed deposits	8,250,000	8,150,000	7,150,000
	8,890,244	10,202,786	9,356,887

The effective interest rate on fixed deposits as of 30 June 2019 ranged from 2.770% to 2.925% per annum (31 December 2018: 2.500% to 2.875% and 30 June 2018: 2.000% to 2.375%).

Notes to the interim condensed consolidated financial information (continued)

9 Share capital

The share capital of the Company comprises of 100,000,000 authorised, issued and fully paid up shares of 100 fils each paid in cash (31 December 2018: 100,000,000 shares of 100 fils each and 30 June 2018: 100,000,000 shares of 100 fils each).

10 Annual general assembly

The ordinary General Assembly of the shareholders⁷ of the Parent Company held on 28 April 2019 approved the consolidated financial statements for the year ended 31 December 2018, the directors' proposals to distribute cash dividends of 4 Fils per share equivalent to KD400,000 and to pay the board of directors an amount of KD36,000 as remuneration for the year ended 31 December 2018. Remuneration of board of directors has been expensed in the interim condensed consolidated statement of profit or loss and other comprehensive income for the current period under "Distribution and administrative costs".

11 Segmental reporting

The Group's operating segments are determined based on the reports reviewed by the Chief Executive Officer for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operating segments meet the criteria for reportable segments and are as follows:

- | | | |
|--|---|---|
| Computerized passenger reservation system* | - | Comprising of installation, operation and maintenance of airline passenger ticketing system. |
| Services and solutions | - | Services & solutions division provides a range of functions from consulting, implementation, upgrade and managing applications in areas such as Enterprise Resources Planning (ERP) and Customer Relationship Management (CRM). The department is also managing projects & human capital outsourcing and sale of softwares. |
| Investments | - | Comprising of investments in local equity funds and shares and funds managed by portfolio managers. |
| Training Services | - | Comprising training services under the franchise agreement with the franchisor. |
| Other operations | - | Comprising of assets and liabilities belongs to support services departments. |

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The Group measures the performance of operating segments through measurement of segment profit or loss before taxes in management and reporting system.

Notes to the interim condensed consolidated financial information (continued)

11 Segmental reporting (continued)

Segment results include revenue and expenses directly attributable to a segment.

Segment assets principally comprise of all assets.

The following table presents revenue, profit for the period, total assets and total liabilities information regarding the Group's reportable segments.

30 June 2019

	Computerised passenger reservation system* KD	Services and solutions KD	Investments KD	Training services KD	Other operations KD	Total KD
Revenue from contracts with customers						
From continuing operations	-	1,756,705	-	72,195	-	1,828,900
From discontinued operations	-	-	-	-	-	-
	-	1,756,705	-	72,195	-	1,828,900
Segment results						
From continuing operations	-	437,753	2,453	(42,326)	-	397,880
From discontinued operations	-	-	-	-	-	-
	-	437,753	2,453	(42,326)	-	397,880
<i>Unallocated items:</i>						
Distribution and administrative costs						(497,676)
Other income						122,952
KFAS						(208)
Profit for the period						22,948
Segment assets	400,605	4,325,207	9,408,634	122,524	-	14,256,970
Segment liabilities	6,395	971,994	-	92,963	337,293	1,408,645
Depreciation and amortisation	-	12,853	-	3,221	43,732	59,806
Capital expenditure incurred during the period	-	120,000	-	407	23,720	144,127

Notes to the interim condensed consolidated financial information (continued)

11 Segmental reporting (continued)

30 June 2018

	Computerised passenger reservation system* KD	Services and solutions KD	Investments KD	Training services KD	Other operations KD	Total KD
Revenue from contracts with customers						
From continuing operations	-	1,646,792	-	-	-	1,646,792
From discontinued operations	2,587,096	-	-	-	-	2,587,096
	2,587,096	1,646,792	-	-	-	4,233,888
Segment results						
From continuing operations	-	368,863	11,155	-	-	380,018
From discontinued operations	615,801	-	-	-	-	615,801
	615,801	368,863	11,155	-	-	995,819
<i>Unallocated items:</i>						
Distribution and administrative costs						(361,578)
Other gains						42,384
Other income						74,906
KFAS, NLST, Zakat and directors' remuneration						(61,625)
Profit for the period						689,906
Segment assets	1,741,327	3,448,404	9,940,723	-	162,208	15,292,662
Segment liabilities	898,836	529,255	-	-	443,633	1,871,724
Depreciation	31,129	2,811	-	-	39,405	73,345
Capital expenditure incurred during the period	12,054	15,655	-	-	15,780	43,489

* The global distribution system contract for the computerized passenger reservation system expired on 31 December 2018. Accordingly, this segment was discontinued as of that date (refer note 5).

Notes to the interim condensed consolidated financial information (continued)

12 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The Group has entered into transactions with related parties including the Ultimate Parent, for the sale or purchase of goods and services on terms approved by the Group management. Balances and transactions with related parties are as follows:

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD	
Balances included in consolidated statement of financial position				
Due from Ultimate Parent Company, net	2,396,673	2,020,581	1,364,027	
Accrued income, net	-	294,753	461,776	
Finance lease receivable, net	709,871	1,151,776	1,515,983	
	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2019 KD	30 June 2018 KD	30 June 2019 KD	30 June 2018 KD
Transactions included in interim condensed statement of profit or loss and other comprehensive income:				
Sale of goods and services to Parent Company	721,093	938,757	1,469,432	1,573,840
Finance lease income from Parent Company	21,450	41,983	48,079	91,219
Impairment (losses)/gains on financial assets	(5,042)	14,841	3,599	3,295
Key management compensation:				
Salaries and other short term benefits	31,318	26,308	57,626	52,615
Other long term benefits	1,811	1,473	3,328	2,990
Directors' remuneration	36,000	15,000	36,000	30,000

13 Fair value measurement

13.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the interim condensed consolidated financial information (continued)

13 Fair value measurement (continued)

13.1 Fair value hierarchy (continued)

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position may also be categorized as follows:

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Financial assets:			
At amortised cost:			
- Accounts receivable and other assets	3,293,445	3,232,639	3,293,795
- Finance lease receivables	709,871	1,151,776	1,515,983
- Cash and cash equivalents	8,890,244	10,202,786	9,356,887
At fair value:			
- Investments at fair value through profit or loss	522,353	519,900	583,837
	13,415,913	15,107,101	14,750,502
Financial liabilities:			
At amortised cost:			
- Accounts payable and other liabilities	870,256	2,135,650	1,351,439
	870,256	2,135,650	1,351,439

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value on a recurring basis in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 June 2019 (Unaudited)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
- Local equity funds	a	126,675	90,466	-	217,141
- Managed portfolios	a	75,831	45,676	137,803	259,310
- Local quoted securities in managed portfolios	b	45,902	-	-	45,902
		248,408	136,142	137,803	522,353

Notes to the interim condensed consolidated financial information (continued)

13 Fair value measurement (continued)

13.1 Fair value hierarchy (continued)

31 December 2018 (Audited)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through profit or loss</i>					
- Local equity funds	a	114,139	89,748	-	203,887
- Managed portfolios	a	62,817	48,775	133,327	244,919
- Local quoted securities in managed portfolios	b	20,500	-	-	20,500
- Local unquoted securities in managed portfolios	c	-	-	50,594	50,594
		197,456	138,523	183,921	519,900

30 June 2018 (Unaudited)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through profit or loss</i>					
- Local equity funds	a	113,462	124,237	-	237,699
- Managed portfolios	a	80,444	57,420	138,377	276,241
- Local quoted securities in managed portfolios	b	18,500	-	-	18,500
- Local unquoted securities in managed portfolios	c	-	-	51,397	51,397
		212,406	181,657	189,774	583,837

There have been no transfers between levels 1 and 2 during the reporting period.

13.2 Fair value measurement of financial instruments

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Managed funds and portfolios

The underlying investments of managed funds and portfolios primarily comprise of quoted and unquoted securities whose fair values have been determined by reference to their quoted bid prices or other valuation techniques at the reporting date. .

b) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

These represent holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

Notes to the interim condensed consolidated financial information (continued)

13 Fair value measurement (continued)

13.2 Fair value measurement of financial instruments (continued)

Measurement at fair value (continued)

Level 3 fair value measurements

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Financial assets at fair value			
Opening balance	183,921	197,239	197,239
Transferred to level 1	(50,596)	-	-
Unrealized gain/(loss) recognized in the consolidated statement of profit or loss and other comprehensive income	4,478	(13,318)	(7,465)
Closing balance	137,803	183,921	189,774

Gains or losses recognized in the consolidated statement of profit or loss and other comprehensive income for the period are included in change in fair value of investment at fair value through profit or loss and profit from sale of investments at fair value through profit or loss.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss and other comprehensive income, total assets, total liabilities or total equity.

The impact on consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

14 Commitments and contingent liabilities

(a) The Group has the following commitments and contingent liabilities:

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Commitments			
Capital expenditure and others	531,682	541,927	701,772
Intangible asset	-	100,000	-
Contingent liabilities			
Against letters of guarantee	543,439	562,827	551,952
Against letters of credit	-	-	38,617

Notes to the interim condensed consolidated financial information (continued)

14 Commitments and contingent liabilities (continued)

(b) At the reporting date the Group has the following commitments in respect of minimum lease payment for operating lease which are due as follows:

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	(Unconsolidated) 30 June 2018 (Unaudited) KD
Future minimum lease payments			
- Within one year	17,178	17,178	17,178
- Later than one year and not later than five years	10,021	18,610	27,199
	27,199	35,788	44,377

15 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2018.

16 Comparative amounts

Certain comparative amounts for the previous period have been reclassified to be consistent with the presentation of the current period and such re-classifications did not affect previously reported results, total assets or equity.