

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

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

30 JUNE 2012



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Hotels Company K.S.C. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 June 2012 and the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

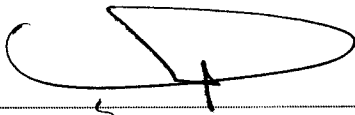
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.



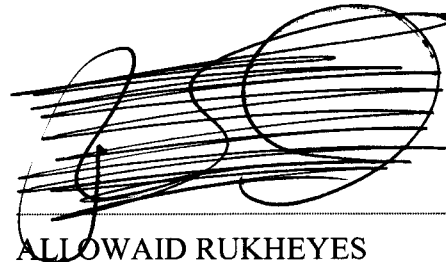
**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF
KUWAIT HOTELS COMPANY K.S.C. (continued)**

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 Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Parent Company, as amended, during the six months period ended 30 June 2012 that might have had a material effect on the business of the Parent Company or on its financial position.



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ACCOUNTING GROUP

9 August 2012

Kuwait

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 30 June 2012

	Note	Three months ended 30 June		Six months ended 30 June	
		2012	2011	2012	2011
		KD	KD	KD	KD
Revenues		2,740,798	2,876,050	5,570,740	6,430,209
Management fees		305,696	270,256	584,076	569,603
Cost of revenues		(2,307,631)	(2,574,103)	(4,625,398)	(5,536,557)
GROSS PROFIT		738,863	572,203	1,529,418	1,463,255
Net loss on financial assets at fair value through income statement		-	(3,871)	(488)	(6,970)
Other income		39,935	12,095	50,481	13,484
Interest income		-	-	-	2,318
Administrative expenses		(603,240)	(787,988)	(1,198,059)	(1,477,472)
Finance costs		1,845	(10,912)	(1,270)	(20,995)
Share of results of an associate		(14,486)	-	(14,486)	2,033
PROFIT (LOSS) BEFORE INCOME TAXES ON OVERSEAS SUBSIDIARY AND NATIONAL LABOUR SUPPORT TAX (NLST)		162,917	(218,473)	365,596	(24,347)
Income taxes on overseas subsidiary NLST		(9,912) (4,312)	(6,033) (638)	(14,760) (8,605)	(10,976) (10,074)
PROFIT (LOSS) FOR THE PERIOD		148,693	(225,144)	342,231	(45,397)
Attributable to					
Equity holders of the Parent Company		148,915	(203,129)	342,512	16,035
Non-controlling interests		(222)	(22,015)	(281)	(61,432)
		148,693	(225,144)	342,231	(45,397)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	2.6 fils	(3.6) fils	6.1 fils	0.3 fils

The attached notes 1 to 8 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 30 June 2012

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit (loss) for the period	148,693	(225,144)	342,231	(45,397)
Other comprehensive (loss) income				
Exchange difference on translation of foreign operations	(6,381)	4,839	(10,745)	(2,961)
Other comprehensive (loss) income	(6,381)	4,839	(10,745)	(2,961)
Total comprehensive income (loss) for the period	142,312	(220,305)	331,486	(48,358)
Attributable to				
Equity holders of the Parent Company	142,534	(198,290)	331,767	13,074
Non-controlling interests	(222)	(22,015)	(281)	(61,432)
	142,312	(220,305)	331,486	(48,358)

The attached notes 1 to 8 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2012

		<i>(Audited)</i>	
	<i>Note</i>	<i>30 June 2012 KD</i>	<i>31 December 2011 KD</i>
		<i>30 June 2011 KD</i>	
ASSETS			
Non-current assets			
Property, plant and equipment		5,337,394	5,669,130
Intangible assets		1,175,016	1,175,131
Investment in an associate		145,071	169,049
Financial assets available-for-sale		1,024,563	1,024,563
		<u>7,682,044</u>	<u>8,037,873</u>
Current assets			
Inventories		596,621	504,034
Accounts receivable and prepayments		3,323,555	2,992,466
Financial assets at fair value through income statement		133,671	134,159
Cash and cash equivalents	4	1,000,355	1,167,645
		<u>5,054,202</u>	<u>4,798,304</u>
TOTAL ASSETS		<u><u>12,736,246</u></u>	<u><u>12,836,177</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		5,775,000	5,775,000
Statutory reserve		673,485	673,485
Voluntary reserve		611,390	611,390
Treasury shares		(223,952)	(223,952)
Cumulative changes in fair value reserve		(35,347)	(35,347)
Foreign currency translation reserve		(119,286)	(108,541)
Other reserve		(513,600)	(513,600)
Accumulated losses		(365,759)	(708,271)
Equity attributable to equity holders of the Parent Company		<u>5,801,931</u>	<u>5,470,164</u>
Non-controlling interests		3,770	4,051
Total equity		<u>5,805,701</u>	<u>5,474,215</u>
Non-current liability			
Employees' end of service benefits		1,298,367	1,312,512
Current liabilities			
Accounts payable and accruals		5,591,436	6,027,555
Bank overdrafts	4	40,742	21,895
		<u>5,632,178</u>	<u>6,049,450</u>
Total liabilities		<u>6,930,545</u>	<u>7,361,962</u>
TOTAL EQUITY AND LIABILITIES		<u><u>12,736,246</u></u>	<u><u>12,836,177</u></u>



Jamila Abdul-Razeq Al-Adwani
Vice Chairman

The attached notes 1 to 8 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2012

	Attributable to equity holders of the Parent Company										
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Cumulative changes in 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 2012	5,775,000	673,485	611,390	(223,952)	(35,347)	(108,541)	(513,600)	(708,271)	5,470,164	4,051	5,474,215
Profit (loss) for the period	-	-	-	-	-	-	-	342,512	342,512	(281)	342,231
Other comprehensive loss	-	-	-	-	-	(10,745)	-	-	(10,745)	-	(10,745)
Total comprehensive (loss) income for the period	-	-	-	-	-	(10,745)	-	342,512	331,767	(281)	331,486
At 30 June 2012	5,775,000	673,485	611,390	(223,952)	(35,347)	(119,286)	(513,600)	(365,759)	5,801,931	3,770	5,805,701
As at 1 January 2011	5,775,000	673,485	611,390	(223,952)	(35,347)	(95,653)	-	(47,118)	6,657,805	(604,674)	6,053,131
Profit (loss) for the period	-	-	-	-	-	-	-	16,035	16,035	(61,432)	(45,397)
Other comprehensive loss	-	-	-	-	-	(2,961)	-	-	(2,961)	-	(2,961)
Total comprehensive (loss) income for the period	-	-	-	-	-	(2,961)	-	16,035	13,074	(61,432)	(48,358)
At 30 June 2011	5,775,000	673,485	611,390	(223,952)	(35,347)	(98,614)	-	(31,083)	6,670,879	(666,106)	6,004,773

The attached notes 1 to 8 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 30 June 2012

	Note	Six months ended 30 June	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit (loss) for the period		342,231	(45,397)
Adjustments for:			
Depreciation and amortisation		332,358	324,042
Gain on sale of property, plant and equipment		(7,301)	(7,000)
Provision for employees' end of service benefits		128,319	175,348
Net loss on financial assets at fair value through income statement		488	6,970
Interest income		-	(2,318)
Finance costs		1,270	20,995
Share of results of an associate		14,486	(2,033)
		811,851	470,607
Working capital changes:			
Inventories		(92,587)	52,193
Accounts receivable and prepayments		(331,089)	388,792
Accounts payable and accruals		(436,120)	(564,564)
Cash flows (used in) from operations		(47,945)	347,028
Employees' end of service benefits paid		(142,464)	(201,494)
Net cash flows (used in) from operating activities		(190,409)	145,534
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(25,294)	(471,748)
Proceed from sale of property, plant and equipment		32,088	8,017
Interest income received		-	6,316
Proceed from sale of financial assets at fair value through income statement		-	191
Net cash flows from (used in) investing activities		6,794	(457,224)
FINANCING ACTIVITIES			
Finance costs paid		(1,270)	(20,995)
Dividends paid		-	(12,329)
Net cash flows used in financing activities		(1,270)	(33,324)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(184,885)	(345,014)
Net foreign exchange difference		(1,252)	(2,961)
Cash and cash equivalents at 1 January		1,145,750	905,135
CASH AND CASH EQUIVALENTS AT 30 JUNE	4	959,613	557,160

The attached notes 1 to 8 form part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Kuwait Hotels Company K.S.C. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the six months period ended 30 June 2012 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 9 August 2012.

The Parent Company was incorporated in 1962 in accordance with Commercial Companies Law of Kuwait and is listed on Kuwait Stock Exchange. The Group is engaged in owning, operating and managing hotel, commercial and residential properties; catering services and investment in similar business in or outside Kuwait. The Parent Company's registered office is P. O. Box 833, Safat 13009, Kuwait.

At the Annual General Assembly of the shareholders of the Parent Company held on 29 April 2012, the shareholders resolved not to distribute any dividends for the year ended 31 December 2011.

2 BASIS OF PREPARATION

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

The interim condensed consolidated financial information do 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 2011. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

Amendments to International Financial Reporting Standards which are effective for annual accounting period starting from 1 January 2012 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	<u>148,915</u>	<u>(203,129)</u>	<u>342,512</u>	<u>16,035</u>
Number of shares outstanding:				
Weighted average number of paid up shares	<u>57,750,000</u>	<u>57,750,000</u>	<u>57,750,000</u>	<u>57,750,000</u>
Weighted average number of treasury shares	<u>(1,316,700)</u>	<u>(1,316,700)</u>	<u>(1,316,700)</u>	<u>(1,316,700)</u>
Weighted average number of shares	<u>56,433,300</u>	<u>56,433,300</u>	<u>56,433,300</u>	<u>56,433,300</u>
Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company	<u>2.6 fils</u>	<u>(3.6) fils</u>	<u>6.1 fils</u>	<u>0.3 fils</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

4 CASH AND CASH EQUIVALENTS

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

	30 June 2012 KD	<i>(Audited)</i> 31 December 2011 KD	30 June 2011 KD
Cash on hand and at banks	988,844	1,156,351	964,303
Cash held by a portfolio manager (Note 5)	11,511	11,294	1,790
	<u>1,000,355</u>	<u>1,167,645</u>	<u>966,093</u>
Bank overdrafts	(40,742)	(21,895)	(408,933)
	<u>959,613</u>	<u>1,145,750</u>	<u>557,160</u>

5 TRANSACTIONS WITH RELATED PARTY

Related parties represent associates, shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no transactions with related parties during the period.

Balances with related parties included in the interim condensed consolidated financial information are as follows:

	30 June 2012 KD	<i>(Audited)</i> 31 December 2011 KD	30 June 2011 KD
Interim condensed consolidated statement of financial position			
Financial assets available-for-sale*	24,510	24,510	24,510
Financial assets at fair value through income statement *	133,957	134,159	150,088
Cash held by a portfolio manager (Note 4)	11,511	11,294	1,790
Due to related parties	-	-	(660,393)

* Financial assets available-for-sale and financial assets at fair value through income statement represents investment portfolio managed by a related party.

Key management compensation

	<u>Six months ended 30 June</u>	
	<u>2012 KD</u>	<u>2011 KD</u>
Salaries and other employee benefits	232,634	369,904
End of service benefits	20,684	30,550
	<u>253,318</u>	<u>400,454</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2012

6 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on activities and services and has two reportable operating segments i.e. hotels and catering services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

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

	<i>Hotels KD</i>	<i>Catering services KD</i>	<i>Total KD</i>
<i>Six months ended 30 June 2012</i>			
Revenue	<u>896,044</u>	<u>5,258,772</u>	<u>6,154,816</u>
Depreciation and amortisation	(139,475)	(192,883)	(332,358)
Share of results of an associate	(14,486)	-	(14,486)
Results – profit	<u>19,614</u>	<u>345,982</u>	<u>365,596</u>
<i>Six months ended 30 June 2011</i>			
Revenue	<u>880,475</u>	<u>6,119,337</u>	<u>6,999,812</u>
Depreciation and amortisation	(95,964)	(228,078)	(324,042)
Share of results of an associate	2,033	-	2,033
Results – (loss) profit	<u>(195,570)</u>	<u>171,223</u>	<u>(24,347)</u>

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

	<i>Hotels KD</i>	<i>Catering services KD</i>	<i>Total KD</i>
<i>At 30 June 2012</i>	<u>7,828,791</u>	<u>4,907,455</u>	<u>12,736,246</u>
<i>At 31 December 2011 (Audited)</i>	<u>7,479,934</u>	<u>5,356,243</u>	<u>12,836,177</u>
<i>At 30 June 2011</i>	<u>9,184,596</u>	<u>4,940,858</u>	<u>14,125,454</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

7 COMMITMENTS

The Group has entered into commercial leases for certain premises and a property rented from the Government of Kuwait. These leases have an average life of between one and five years. There are no restrictions placed upon the Group by entering into these leases.

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

	<i>30 June 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 June 2011 KD</i>
Within one year	341,746	455,302	232,090
After one year but not more than five years	178,719	238,280	365,685
	<u>520,465</u>	<u>693,582</u>	<u>597,775</u>

8 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 2,201,522 (31 December 2011: KD 1,979,355 and 30 June 2011: KD 3,248,870). It is anticipated that no material liabilities will arise.