

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

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

31 MARCH 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 31 March 2012 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three 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

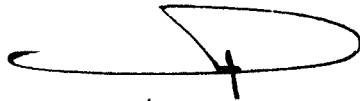
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.



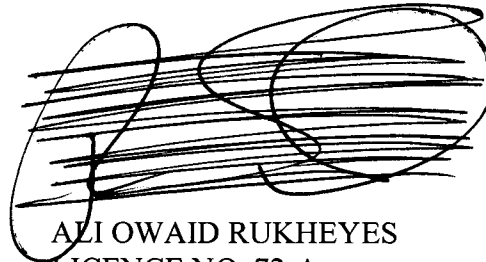
**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF
KUWAIT HOTELS COMPANY K.S.C. (continued)**

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 three months period ended 31 March 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

10 May 2012
Kuwait

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 31 March 2012

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		<i>2012</i>	<i>2011</i>
		<i>KD</i>	<i>KD</i>
Revenues		2,829,942	3,554,159
Management fees		278,380	299,347
Cost of revenues		(2,317,767)	(2,962,454)
GROSS PROFIT		790,555	891,052
Net loss on financial assets at fair value through income statement		(488)	(3,099)
Other income		10,546	1,389
Interest income		-	2,318
Administrative expenses		(594,819)	(689,484)
Finance costs		(3,115)	(10,083)
Share of results of an associate		-	2,033
PROFIT BEFORE INCOME TAXES ON OVERSEAS SUBSIDIARY AND NATIONAL LABOUR SUPPORT TAX (NLST)		202,679	194,126
Income taxes on overseas subsidiary		(4,848)	(4,943)
NLST		(4,293)	(9,436)
PROFIT FOR THE PERIOD		193,538	179,747
Attributable to			
Equity holders of the Parent Company		193,597	219,164
Non-controlling interests		(59)	(39,417)
		193,538	179,747
BASIC AND DILUTED EARNINGS PER SHARE	3	3.4 fils	3.9 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 31 March 2012

	<i>Three months ended</i> <i>31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	193,538	179,747
Other comprehensive income		
Exchange difference on translation of foreign operations	(4,364)	(7,800)
Other comprehensive loss for the period	(4,364)	(7,800)
Total comprehensive income for the period	189,174	171,947
Attributable to		
Equity holders of the Parent Company	189,233	211,364
Non-controlling interests	(59)	(39,417)
	189,174	171,947


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 31 March 2012

		(Audited)	
		31 March	31 March
		2012	2011
		KD	KD
ASSETS			
Non-current assets			
Property, plant and equipment		5,504,372	5,669,130
Intangible assets		1,175,016	1,175,131
Investment in an associate		165,359	169,049
Financial assets available-for-sale		1,024,563	1,024,563
		<u>7,869,310</u>	<u>8,037,873</u>
Current assets			
Inventories		519,550	504,034
Accounts receivable and prepayments		2,779,790	2,992,466
Financial assets at fair value through income statement		133,671	134,159
Cash and cash equivalents	4	1,377,607	1,167,645
		<u>4,810,618</u>	<u>4,798,304</u>
TOTAL ASSETS		<u>12,679,928</u>	<u>12,836,177</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		(112,905)	(108,541)
Other reserve		(513,600)	(513,600)
(Accumulated losses) retained earnings		(514,674)	(708,271)
		<u>5,659,397</u>	<u>5,470,164</u>
Equity attributable to equity holders of the Parent Company		<u>5,659,397</u>	<u>5,470,164</u>
Non-controlling interests		3,992	4,051
Total equity		<u>5,663,389</u>	<u>5,474,215</u>
Non-current liabilities			
Employees' end of service benefits		1,286,344	1,312,512
		<u>1,286,344</u>	<u>1,312,512</u>
Current liabilities			
Accounts payable and accruals		5,686,096	6,027,555
Bank overdrafts	4	44,099	21,895
		<u>5,730,195</u>	<u>6,049,450</u>
Total liabilities		<u>7,016,539</u>	<u>7,361,962</u>
TOTAL EQUITY AND LIABILITIES		<u>12,679,928</u>	<u>12,836,177</u>


 Mohammed Ahmed Al-Saqqaf
 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 31 March 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)/retained earnings 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	-	-	-	-	-	-	-	193,597	193,597	(59)	193,538
Other comprehensive loss for the period	-	-	-	-	-	(4,364)	-	-	(4,364)	-	(4,364)
Total comprehensive (loss) income for the period	-	-	-	-	-	(4,364)	-	193,597	189,233	(59)	189,174
At 31 March 2012	5,775,000	673,485	611,390	(223,952)	(35,347)	(112,905)	(513,600)	(514,674)	5,659,397	3,992	5,663,389
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	-	-	-	-	-	-	-	219,164	219,164	(39,417)	179,747
Other comprehensive loss for the period	-	-	-	-	-	(7,800)	-	-	(7,800)	-	(7,800)
Total comprehensive (loss) income for the period	-	-	-	-	-	(7,800)	-	219,164	211,364	(39,417)	171,947
At 31 March 2011	5,775,000	673,485	611,390	(223,952)	(35,347)	(103,453)	-	172,046	6,869,169	(644,091)	6,225,078

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 31 March 2012

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 March</i>	
		2012	2011
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		193,538	179,747
Adjustments for:			
Depreciation and amortisation		170,598	137,858
Provision for employees' end of service benefits		69,266	66,813
Net loss on financial assets at fair value through income statement		488	3,099
Interest income		-	(2,318)
Finance costs		3,115	10,083
Share of results of an associate		-	(2,033)
		437,005	393,249
Working capital changes:			
Inventories		(15,516)	38,280
Accounts receivable and prepayments		212,676	89,678
Accounts payable and accruals		(341,459)	(458,370)
Cash flows from operating activities		292,706	62,837
Employees' end of service benefits paid		(95,434)	(82,047)
Net cash flows from (used in) operating activities		197,272	(19,210)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,725)	(178,524)
Interest income received		-	6,316
Proceed from sale of financial assets at fair value through income statement		-	191
Net cash flows used in investing activities		(5,725)	(172,017)
FINANCING ACTIVITIES			
Finance costs paid		(3,115)	(10,083)
Dividends paid		-	(12,032)
Net cash flows used in financing activities		(3,115)	(22,115)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		188,432	(213,342)
Net foreign exchange difference		(674)	(7,800)
Cash and cash equivalents at 1 January		1,145,750	905,135
CASH AND CASH EQUIVALENTS AT 31 MARCH	4	1,333,508	683,993

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 31 March 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 three months period ended 31 March 2012 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 10 May 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.

The Annual General Assembly for the year ended 31 December 2011 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2011 have not yet been approved. The interim condensed consolidated financial information for the three month period ended 31 March 2012 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements 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 three months period ended 31 March 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.

3 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>193,597</u>	<u>219,164</u>
Number of shares outstanding:		
Weighted average number of paid up shares	57,750,000	57,750,000
Weighted average number of treasury shares	(1,316,700)	(1,316,700)
Weighted average number of shares	<u>56,433,300</u>	<u>56,433,300</u>
Basic and diluted earnings per share	<u>3.4 fils</u>	<u>3.9 fils</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2012

4 CASH AND CASH EQUIVALENTS

	<i>31 March</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i>	<i>31 March</i> <i>2011</i> <i>KD</i>
Cash on hand and at banks	1,365,811	1,156,351	1,009,420
Cash held by a portfolio manager (Note 5)	11,796	11,294	2,139
	<u>1,377,607</u>	<u>1,167,645</u>	<u>1,011,559</u>

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

	<i>31 March</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i>	<i>31 March</i> <i>2011</i> <i>KD</i>
Cash on hand and at banks	1,365,811	1,156,351	1,009,420
Cash held by a portfolio manager	11,796	11,294	2,139
	<u>1,377,607</u>	<u>1,167,645</u>	<u>1,011,559</u>
Bank overdrafts	(44,099)	(21,895)	(327,566)
	<u>1,333,508</u>	<u>1,145,750</u>	<u>683,993</u>

5 RELATED PARTY TRANSACTIONS

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.

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

	<i>31 March</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i>	<i>31 March</i> <i>2011</i> <i>KD</i>
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 *	133,671	134,159	153,959
Cash held by a portfolio manager (Note 4)	11,796	11,294	2,139
Due to related parties	-	-	(658,010)

* 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

	<i>Three months ended 31 March</i>	
	<i>2012</i> <i>KD</i>	<i>2011</i> <i>KD</i>
Salaries and other employee benefits	128,553	194,743
End of service benefits	11,176	15,828
	<u>139,729</u>	<u>210,571</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 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>Three months ended 31 March 2012</i>			
Revenue	<u>435,621</u>	<u>2,672,701</u>	<u>3,108,322</u>
Depreciation and amortisation	69,778	100,820	170,598
Results – (loss) profit	<u>(12,587)</u>	<u>206,125</u>	<u>193,538</u>
<i>Three months ended 31 March 2011</i>			
Revenue	<u>455,281</u>	<u>3,398,225</u>	<u>3,853,506</u>
Depreciation and amortisation	(23,742)	(114,116)	(137,858)
Share of results of an associate	2,033	-	2,033
Results – (loss) profit	<u>(74,393)</u>	<u>254,140</u>	<u>179,747</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 31 March 2012</i>	<u>7,245,052</u>	<u>5,434,876</u>	<u>12,679,928</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 31 March 2011</i>	<u>7,652,525</u>	<u>6,729,270</u>	<u>14,381,795</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 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>31 March</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i>	<i>31 March</i> <i>2011</i> <i>KD</i>
Within one year	341,746	455,302	345,685
After one year but not more than five years	178,719	238,280	322,934
	<u>520,465</u>	<u>693,582</u>	<u>668,619</u>

8 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,626,931. (31 December 2011: KD 1,979,355 and 31 March 2011: KD 2,053,389). It is anticipated that no material liabilities will arise.