

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

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

31 MARCH 2014



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working world

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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.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Hotels Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and 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 condensed consolidated 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.



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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.P. (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 Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, during the three months period ended 31 March 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

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LICENCE NO. 68A
EY
AL AIBAN, AL OSAIMI & PARTNERS

ALI OWAIID RUKHEYES
LICENCE NO. 72-A
MEMBER OF THE INTERNATIONAL
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5 May 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2014

	Note	Three months ended 31 March	
		2014 KD	2013 KD
Revenues		2,722,143	2,696,745
Management fees		270,236	294,898
Cost of revenues		(2,243,053)	(2,195,984)
GROSS PROFIT		749,326	795,659
Other income		39,129	12,085
Administrative expenses		(553,211)	(579,581)
Finance costs		(600)	(593)
Share of results of an associate		270	(7,278)
PROFIT BEFORE INCOME TAXES ON OVERSEAS SUBSIDIARY AND NATIONAL LABOUR SUPPORT TAX ("NLST")		234,914	220,292
Income taxes on overseas subsidiary		(8,154)	(2,712)
NLST		(6,775)	(5,100)
PROFIT FOR THE PERIOD		219,985	212,480
Attributable to			
Equity holders of the Parent Company		219,868	212,416
Non-controlling interests		117	64
		219,985	212,480
BASIC AND DILUTED EARNINGS PER SHARE	3	3.9 fils	3.8 fils

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2014

	<i>Three months ended</i>	
	<i>31 March</i>	
	2014	2013
	KD	KD
Profit for the period	219,985	212,480
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on translation of foreign operations	3,622	(11,617)
Other comprehensive income for the period	3,622	(11,617)
Total comprehensive income for the period	223,607	200,863
Attributable to		
Equity holders of the Parent Company	223,490	200,799
Non-controlling interests	117	64
	223,607	200,863


The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

At 31 March 2014

		31 March 2014 KD	(Audited) 31 December 2013 KD	31 March 2013 KD
ASSETS				
Non-current assets				
Property, plant and equipment		4,771,205	4,884,357	5,194,477
Intangible assets		1,204,109	1,209,273	1,140,907
Investment in an associate		93,912	90,053	133,301
Financial assets available-for-sale		636,038	636,038	1,024,563
		<u>6,705,264</u>	<u>6,819,721</u>	<u>7,493,248</u>
Current assets				
Inventories		851,179	933,829	620,411
Accounts receivable and prepayments		3,169,898	3,642,449	3,211,592
Financial assets at fair value through income statement		97,439	97,439	97,820
Bank balance and cash	4	2,888,379	1,978,869	2,208,967
		<u>7,006,895</u>	<u>6,652,586</u>	<u>6,138,790</u>
TOTAL ASSETS		<u>13,712,159</u>	<u>13,472,307</u>	<u>13,632,038</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		5,775,000	5,775,000	5,775,000
Statutory reserve		673,485	673,485	673,485
Voluntary reserve		611,390	611,390	611,390
Treasury shares		(223,952)	(223,952)	(223,952)
Cumulative changes in fair value reserve		(35,347)	(35,347)	(35,347)
Foreign currency translation reserve		(147,122)	(150,744)	(135,898)
Other reserve		(513,600)	(513,600)	(513,600)
Retained earnings (accumulated losses)		161,426	(58,442)	(23,973)
Equity attributable to equity holders of the Parent Company		<u>6,301,280</u>	<u>6,077,790</u>	<u>6,127,105</u>
Non-controlling interests		41,919	41,802	80,718
Total equity		<u>6,343,199</u>	<u>6,119,592</u>	<u>6,207,823</u>
Non-current liability				
Employees' end of service benefits		1,112,388	1,097,258	1,238,465
Current liabilities				
Accounts payable and accruals		6,220,108	6,219,003	6,148,825
Bank overdraft	4	36,464	36,454	36,925
		<u>6,256,572</u>	<u>6,255,457</u>	<u>6,185,750</u>
Total liabilities		<u>7,368,960</u>	<u>7,352,715</u>	<u>7,424,215</u>
TOTAL EQUITY AND LIABILITIES		<u>13,712,159</u>	<u>13,472,307</u>	<u>13,632,038</u>


Mohammed Ahmed Alsaqqaf
Chairman

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2014

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	Retained earnings (accumulated losses) KD	Sub-total KD	Non-controlling interests KD	Total equity KD
Balance as at 1 January 2014	5,775,000	673,485	611,390	(223,952)	(35,347)	(150,744)	(513,600)	(58,442)	6,077,790	41,802	6,119,592
Profit for the period	-	-	-	-	-	-	-	219,868	219,868	117	219,985
Other comprehensive income for the period	-	-	-	-	-	3,622	-	-	3,622	-	3,622
Total comprehensive income for the period	-	-	-	-	-	3,622	-	219,868	223,490	117	223,607
Balance at 31 March 2014	5,775,000	673,485	611,390	(223,952)	(35,347)	(147,122)	(513,600)	161,426	6,301,280	41,919	6,343,199
Balance at 1 January 2013	5,775,000	673,485	611,390	(223,952)	(35,347)	(124,281)	(513,600)	(236,389)	5,926,306	80,654	6,006,960
Profit for the period	-	-	-	-	-	-	-	212,416	212,416	64	212,480
Other comprehensive loss for the period	-	-	-	-	-	(11,617)	-	-	(11,617)	-	(11,617)
Total comprehensive income (loss) for the period	-	-	-	-	-	(11,617)	-	212,416	200,799	64	200,863
Balance at 31 March 2013	5,775,000	673,485	611,390	(223,952)	(35,347)	(135,898)	(513,600)	(23,973)	6,127,105	80,718	6,207,823

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2014

	Note	Three months ended 31 March	
		2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the period		219,985	212,480
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation and amortisation		136,635	161,150
Provision for employees' end of service benefits		53,178	38,598
Net loss on financial assets at fair value through income statement		-	122
Finance costs		600	593
Share of results of an associate		(270)	7,278
		<u>410,128</u>	<u>420,221</u>
Working capital changes:			
Inventories		82,650	30,009
Accounts receivable and prepayments		472,551	200,307
Accounts payable and accruals		1,105	114,556
		<u>966,434</u>	<u>765,093</u>
Cash flows from operations		966,434	765,093
Employees' end of service benefits paid		(38,048)	(54,292)
		<u>928,386</u>	<u>710,801</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18,319)	(30,369)
Proceeds from sale of property, plant and equipment		-	5,314
		<u>(18,319)</u>	<u>(25,055)</u>
Net cash flows used in investing activities		(18,319)	(25,055)
FINANCING ACTIVITIES			
Finance costs paid		(600)	(593)
		<u>(600)</u>	<u>(593)</u>
Net cash flows used in financing activities		(600)	(593)
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>909,467</u>	<u>685,153</u>
Net foreign exchange difference		33	(9,734)
Cash and cash equivalents at 1 January		1,942,415	1,496,623
CASH AND CASH EQUIVALENTS AT 31 MARCH	4	<u>2,851,915</u>	<u>2,172,042</u>

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

1 CORPORATE INFORMATION AND ACTIVITIES

The interim condensed consolidated financial information of Kuwait Hotels Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the three months period ended 31 March 2014 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 5 May 2014. The General Assembly of the Parent Company's shareholder has the power to amend these interim condensed consolidated financial information after issuance.

The Parent Company was incorporated at 12 June 1962 in accordance with Companies Law of Kuwait and is listed on the Kuwait Stock Exchange. The Group is engaged in owning, operating and managing hotel, commercial and residential properties; catering services; importing of consumer durables, machinery and equipment; and investment in similar business in or outside Kuwait. The Parent Company's registered office is P. O. Box 833, Safat 13009, Kuwait.

The Annual General Assembly for the year ended 31 December 2013 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 2013 have not yet been approved. The interim condensed consolidated financial information for the three months period ended 31 March 2014 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 2013.

The new Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the "Decree"). The Executive Regulations of the new amended law issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2 BASIS OF PREPARATION

- (a) The interim condensed consolidated financial information of the Group for three months period ended 31 March 2014 is prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* ("IAS 34").
- (b) The accounting policies used in the preparation of the 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 2013, except for the adoption of the amended International Financial Reporting Standards ("IFRS") that have become effective from 1 January 2014 and those which are applicable to the Group:
 - IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
 - IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)*
- (c) 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 2013. 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 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The adoption of these standards did not have any significant or material impact on the interim condensed consolidated financial information of the Group and relevant disclosures will be made in the annual consolidated financial statements of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net 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>2014</i>	<i>2013</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>219,868</u>	<u>212,416</u>
Number of shares outstanding:		
Weighted average number of paid up shares	57,750,000	57,750,000
Weighted average number of treasury shares	<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>
Basic and diluted earnings per share	<u>3.9 fils</u>	<u>3.8 fils</u>

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

4 CASH AND CASH EQUIVALENTS

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

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2014</i>	<i>31 December</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	2,888,379	1,978,869	2,208,967
Bank overdrafts	<u>(36,464)</u>	<u>(36,454)</u>	<u>(36,925)</u>
	<u>2,851,915</u>	<u>1,942,415</u>	<u>2,172,042</u>

5 RELATED PARTY TRANSACTIONS

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

There were no transactions with related parties during the period other than included in key management personnel compensation disclosed below.

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

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2014</i>	<i>31 December</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
Financial assets available-for-sale*	24,510	24,510	24,540
Financial assets at fair value through income statement *	97,439	97,439	97,820

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

5 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation

	<i>Three months ended 31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Salaries and other employee benefits	54,566	70,813
End of service benefits	4,486	5,772
	<u>59,052</u>	<u>76,585</u>

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 food and beverages.

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</i>	<i>Food and</i>	<i>Total</i>
	<i>KD</i>	<i>beverages</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Three months ended 31 March 2014</i>			
Revenue and management fees	<u>441,220</u>	<u>2,551,159</u>	<u>2,992,379</u>
Results			
Segment profit	<u>9,988</u>	<u>209,997</u>	<u>219,985</u>
<i>Three months ended 31 March 2013</i>			
Revenue	<u>301,297</u>	<u>2,690,346</u>	<u>2,991,643</u>
Results			
Segment profit	<u>13,539</u>	<u>198,941</u>	<u>212,480</u>

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

	<i>Hotels</i>	<i>Food and</i>	<i>Total</i>
	<i>KD</i>	<i>beverages</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Assets			
<i>At 31 March 2014</i>	<u>6,236,005</u>	<u>7,476,154</u>	<u>13,712,159</u>
<i>At 31 December 2013 (Audited)</i>	<u>6,548,326</u>	<u>6,923,981</u>	<u>13,472,307</u>
<i>At 31 March 2013</i>	<u>7,159,235</u>	<u>6,472,803</u>	<u>13,632,038</u>
Liabilities			
<i>At 31 March 2014</i>	<u>4,051,070</u>	<u>3,317,890</u>	<u>7,368,960</u>
<i>At 31 December 2013 (Audited)</i>	<u>4,102,376</u>	<u>3,250,339</u>	<u>7,352,715</u>
<i>At 31 March 2013</i>	<u>3,916,589</u>	<u>3,507,626</u>	<u>7,424,215</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

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.

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

	<i>31 March</i> <i>2014</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>KD</i>	<i>31 March</i> <i>2013</i> <i>KD</i>
Within one year	194,760	250,560	197,385
After one year but not more than five years	539,260	539,260	547,590
	<u>734,020</u>	<u>789,820</u>	<u>744,975</u>

8 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 2,232,253 (31 December 2013: KD 879,829 and 31 March 2013: KD 2,299,983). It is anticipated that no material liabilities will arise.

At the reporting date, the Group has obtained letters of credit amounting to KD Nil (31 December 2013: Nil and 31 March 2013: 73,436) in favour of its supplier.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair values of financial assets and liabilities, except for certain unquoted equity instruments classified as financial assets available-for-sale that are carried at cost, approximated their respective net book values at the reporting date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

9 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value

	<i>Level 3 and total KD</i>
<i>31 March 2014</i>	
Financial assets at fair value through income statement	<u>97,439</u>
<i>31 December 2013</i>	
Financial assets at fair value through income statement	<u>97,439</u>
<i>31 March 2013</i>	
Financial assets at fair value through income statement	<u>97,820</u>

During the three months period ended 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into Level 3 fair value measurements.