

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

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

**31 MARCH 2016**



Building a better  
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 2016, and the related interim condensed consolidated statement of income, 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, and explanatory notes. 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.

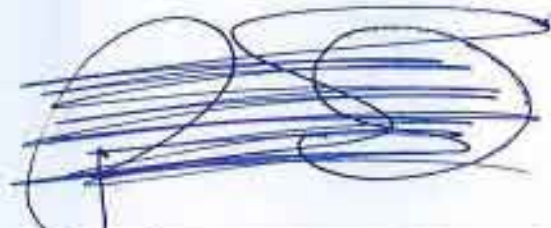
**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF  
KUWAIT HOTELS COMPANY K.S.C.P. (continued)**

**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. 1 of 2016, and the executive regulations of the Companies Law No. 25 of 2012, or of the Parent Company's Articles of Association during the three months period ended 31 March 2016 that might have had a material effect on the business of the Parent Company or on its financial position.



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15 May 2016  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2016

	Note	Three months ended 31 March	
		2016 KD	2015 KD
Revenues		2,148,974	2,050,210
Management fees		227,184	265,997
Cost of revenues		(1,893,744)	(1,680,826)
<b>GROSS PROFIT</b>		<b>482,414</b>	<b>635,381</b>
Gain on disposal of intangible assets		401,284	-
Other income		41,759	12,545
Interest income		744	1,504
Administrative expenses		(382,026)	(560,925)
Selling and distribution expenses		(27,633)	(62,856)
Finance costs		-	(768)
<b>PROFIT FOR THE PERIOD BEFORE INCOME TAXES ON OVERSEAS SUBSIDIARY, NATIONAL LABOUR SUPPORT TAX ("NLST"), CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS") AND ZAKAT</b>		<b>516,542</b>	<b>24,881</b>
Income taxes on an overseas subsidiary		(18,114)	(77)
NLST		(12,187)	(2,482)
KFAS		(3,429)	-
Zakat		(367)	-
<b>PROFIT FOR THE PERIOD</b>		<b>482,445</b>	<b>22,322</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		480,674	22,487
Non-controlling interests		1,771	(165)
		<b>482,445</b>	<b>22,322</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY</b>	3	<b>8.5 fils</b>	<b>0.4 fils</b>

The attached notes 1 to 9 form part of these 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 2016

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>482,445</b>	<b>22,322</b>
<b>Other comprehensive loss</b>		
<i>Items that are or may be reclassified subsequently to consolidated statement of income:</i>		
Exchange difference on translation of foreign operations	(22,674)	(13,234)
<b>Other comprehensive loss for the period</b>	<b>(22,674)</b>	<b>(13,234)</b>
<b>Total comprehensive income for the period</b>	<b>459,771</b>	<b>9,088</b>
<b>Attributable to :</b>		
Equity holders of the Parent Company	458,000	9,253
Non-controlling interests	1,771	(165)
	<b>459,771</b>	<b>9,088</b>

The attached notes 1 to 9 form part of these 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 2016

	Note	31 March 2016 KD	(Audited) 31 December 2015 KD	31 March 2015 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		4,159,273	4,250,388	4,392,418
Intangible assets		1,308,706	1,310,451	1,226,326
Investment in an associate		78,481	78,481	66,897
Financial assets available-for-sale		128,303	128,303	582,203
		<u>5,674,763</u>	<u>5,767,623</u>	<u>6,267,844</u>
<b>Current assets</b>				
Inventories		912,279	919,131	904,702
Accounts receivable and prepayments		2,871,296	2,420,860	2,816,022
Financial assets at fair value through profit or loss		71,400	71,400	71,400
Cash and cash equivalents	4	832,043	649,283	2,254,651
		<u>4,687,018</u>	<u>4,060,674</u>	<u>6,046,775</u>
<b>TOTAL ASSETS</b>		<u>10,361,781</u>	<u>9,828,297</u>	<u>12,314,619</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		5,775,000	5,775,000	5,775,000
Statutory reserve		704,926	704,926	677,949
Voluntary reserve		302,220	302,220	275,243
Treasury shares		(223,952)	(223,952)	(223,952)
Cumulative changes in fair value reserve		(40,822)	(40,822)	(39,314)
Foreign currency translation reserve		(201,484)	(178,310)	(171,211)
Other reserve		(513,600)	(513,600)	(513,600)
Retained earnings		708,174	227,500	36,603
<b>Equity attributable to equity holders of the Parent Company</b>		<u>6,510,462</u>	<u>6,052,462</u>	<u>5,816,718</u>
Non-controlling interests		(28,890)	(30,661)	29,421
<b>Total equity</b>		<u>6,481,572</u>	<u>6,021,801</u>	<u>5,846,139</u>
<b>Non-current liability</b>				
Employees' end of service benefits		1,014,911	1,034,998	1,041,218
<b>Current liabilities</b>				
Accounts payable and accruals		2,865,298	2,771,498	5,392,405
Tawarruq payable		-	-	34,857
		<u>2,865,298</u>	<u>2,771,498</u>	<u>5,427,262</u>
<b>Total liabilities</b>		<u>3,880,209</u>	<u>3,806,496</u>	<u>6,468,480</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>10,361,781</u>	<u>9,828,297</u>	<u>12,314,619</u>



Ahmad Yousef El-Kandari  
Chairman

The attached notes 1 to 9 form part of these 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 2016

	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 KD	Sub-total KD	Non- controlling interests KD	Total equity KD
Balance as at 1 January 2016	5,775,000	704,926	302,220	(223,952)	(40,822)	(178,810)	(513,600)	227,500	6,052,462	(30,661)	6,021,801
Profit for the period	-	-	-	-	-	-	-	480,674	480,674	1,771	482,445
Other comprehensive loss for the period	-	-	-	-	-	(22,674)	-	-	(22,674)	-	(22,674)
Total comprehensive (loss) income for the period	-	-	-	-	-	(22,674)	-	480,674	458,000	1,771	459,771
<b>Balance at 31 March 2016</b>	<b>5,775,000</b>	<b>704,926</b>	<b>302,220</b>	<b>(223,952)</b>	<b>(40,822)</b>	<b>(201,484)</b>	<b>(513,600)</b>	<b>708,174</b>	<b>6,510,462</b>	<b>(28,890)</b>	<b>6,481,572</b>
Balance at 1 January 2015	5,775,000	677,949	275,243	(223,952)	(39,314)	(157,977)	(513,600)	14,116	5,807,465	29,586	5,837,051
Profit (loss) for the period	-	-	-	-	-	-	-	22,487	22,487	(165)	22,322
Other comprehensive loss for the period	-	-	-	-	-	(13,234)	-	-	(13,234)	-	(13,234)
Total comprehensive (loss) income for the period	-	-	-	-	-	(13,234)	-	22,487	9,253	(165)	9,088
<b>Balance at 31 March 2015</b>	<b>5,775,000</b>	<b>677,949</b>	<b>275,243</b>	<b>(223,952)</b>	<b>(39,314)</b>	<b>(171,211)</b>	<b>(513,600)</b>	<b>36,603</b>	<b>5,816,718</b>	<b>29,421</b>	<b>5,846,139</b>

The attached notes 1 to 9 form part of these 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 2016

	Note	Three months ended 31 March	
		2016 KD	2015 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before income taxes on overseas subsidiary, NLST, KFAS and Zakat		516,542	24,881
Non-cash adjustments to reconcile profit for the period before income taxes on overseas subsidiary, NLST, KFAS and Zakat to net cash flows:			
Depreciation and amortisation		101,947	117,050
Provision for employees' end of service benefits		57,433	51,161
Finance costs		-	768
Interest income		(744)	(1,504)
Gain on disposal of intangible assets		(401,284)	-
Gain on disposal of property, plant and equipment		(4,365)	-
Provision for doubtful debts		5,917	33,285
Provision for slow moving and obsolete inventories		4,980	10,980
		280,426	236,621
Working capital changes:			
Inventories		1,872	108,543
Accounts receivable and prepayments		(456,353)	(136,020)
Accounts payable and accruals		59,703	(181,372)
Cash flows (used in) from operations		(114,352)	27,772
Employees' end of service benefits paid		(77,520)	(16,128)
Tax paid		-	(2,559)
Net cash flows (used in) from operating activities		(191,872)	9,085
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(9,087)	(3,477)
Proceeds from disposal of intangible assets		401,284	-
Proceeds from disposal of property, plant and equipment		4,365	-
Interest income received		744	1,504
Net cash flows from (used in) investing activities		397,306	(1,973)
<b>FINANCING ACTIVITY</b>			
Finance costs paid		-	(768)
Net cash flows used in financing activity		-	(768)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		205,434	6,344
Net foreign exchange difference		(22,674)	(13,234)
Cash and cash equivalents at 1 January		649,283	2,261,541
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	4	832,043	2,254,651

The attached notes 1 to 9 form part of these 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 2016

### 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 2016 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 15 May 2016.

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 2015 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 2015 have not yet been approved. The interim condensed consolidated financial information for the three months period ended 31 March 2016 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 2015.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

- a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34").
- b) The interim condensed consolidated financial information are presented in Kuwaiti Dinars (KD), which is also the functional currency of the Group.
- c) The interim condensed consolidated financial information do not include all the information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015. 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 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.
- d) 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 2015, except for the adoption of the amended IFRS that have become effective from 1 January 2016 and those which are applicable to the Group.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

### 3 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT COMPANY

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>2016</i>	<i>2015</i>
Profit for the period attributable to equity shareholders of the Parent Company (KD)	<u>480,674</u>	<u>22,487</u>
Number of shares outstanding during the period:		
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 attributable to the equity shareholders of the Parent Company	<u>8.5 fils</u>	<u>0.4 fils</u>

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

### 4 CASH AND CASH EQUIVALENTS

	<i>31 March</i> <i>2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>31 March</i> <i>2015</i> <i>KD</i>
	Bank balances and cash	600,373	417,787
Short-term deposits	<u>231,670</u>	<u>231,496</u>	<u>701,558</u>
	<u>832,043</u>	<u>649,283</u>	<u>2,254,651</u>

### 5 RELATED PARTY DISCLOSURES

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 2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>31 March 2015</i> <i>KD</i>
	<i>Interim condensed consolidated statement of financial position</i>		
Financial assets available-for-sale*	35,789	35,789	37,297
Financial assets at fair value through profit or loss*	<u>71,400</u>	<u>71,400</u>	<u>71,400</u>

\* Financial assets available-for-sale and financial assets at fair value through profit or loss are managed by a related party.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 31 March 2016

5 RELATED PARTY DISCLOSURES (continued)

Key management personnel compensation

	<i>Three months ended 31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
Salaries and other employee benefits	33,255	54,294
End of service benefits	2,733	4,440
	<u>35,988</u>	<u>58,734</u>

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

	<i>Hotels</i>	<i>Catering services</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Three months ended 31 March 2016</i>			
Revenue and management fees	<u>379,487</u>	<u>1,996,671</u>	<u>2,376,158</u>
Results			
Segment profit	<u>75,550</u>	<u>406,895</u>	<u>482,445</u>
<i>Three months ended 31 March 2015</i>			
Revenue	<u>419,540</u>	<u>1,896,667</u>	<u>2,316,207</u>
Results			
Segment profit (loss)	<u>(6,360)</u>	<u>28,682</u>	<u>22,322</u>

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

	<i>Hotels</i>	<i>Catering services</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Assets</b>			
<i>At 31 March 2016</i>	<u>1,642,837</u>	<u>8,718,944</u>	<u>10,361,781</u>
<i>At 31 December 2015 (Audited)</i>	<u>5,052,083</u>	<u>4,776,214</u>	<u>9,828,297</u>
<i>At 31 March 2015</i>	<u>6,277,364</u>	<u>6,037,255</u>	<u>12,314,619</u>
<b>Liabilities</b>			
<i>At 31 March 2016</i>	<u>268,906</u>	<u>3,611,303</u>	<u>3,880,209</u>
<i>At 31 December 2015 (Audited)</i>	<u>1,757,639</u>	<u>2,048,857</u>	<u>3,806,496</u>
<i>At 31 March 2015</i>	<u>4,162,967</u>	<u>2,305,513</u>	<u>6,468,480</u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

### 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>2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>31 March</i> <i>2015</i> <i>KD</i>
Within one year	268,346	357,228	241,230
After one year but not more than five years	547,496	557,592	679,400
	<u>815,842</u>	<u>934,820</u>	<u>920,630</u>

### 8 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 2,192,915 (31 December 2015: KD 2,388,909 and 31 March 2015: KD 1,676,920). It is anticipated that no material liabilities will arise.

### 9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or,
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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 less impairment, 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.

#### Assets measured at fair value

	<i>Level 3 and</i> <i>total</i> <i>KD</i>
<i>31 March 2016 (Unaudited)</i>	
Financial assets available-for-sale	35,789
Financial assets at fair value through profit or loss	71,400
<i>31 December 2015 (Audited)</i>	
Financial assets available-for-sale	35,789
Financial assets at fair value through profit or loss	71,400
<i>31 March 2015 (Unaudited)</i>	
Financial assets available-for-sale	37,297
Financial assets at fair value through profit or loss	71,400

During the three months period ended 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into Level 3 fair value measurements.