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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 SEPTEMBER 2014

EY
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 30 September 2014 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine 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.

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 nine months period ended 30 September 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

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10 November 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2014

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 KD	2013 KD	**2014 KD**	2013 KD
Revenues		**1,900,642**	2,497,313	**6,724,812**	7,696,922
Management fees		**200,794**	148,404	**766,933**	723,262
Cost of revenues		**(1,719,816)**	(2,195,785)	**(5,744,532)**	(6,604,404)
GROSS PROFIT		**381,620**	449,932	**1,747,213**	1,815,780
Net loss on financial assets at fair value through income statement		**-**	(86)	**-**	(333)
Share of results from an associate		**(4,717)**	(19,897)	**(9,250)**	(27,175)
Other income		**1,293**	14,908	**60,980**	59,372
Gain on disposal of plant, property and equipment		**-**	2,883	**17,111**	2,883
Administrative expenses		**(510,747)**	(541,661)	**(1,648,893)**	(1,727,713)
Finance costs		**(500)**	(397)	**(1,100)**	(1,070)
Provision for slow moving and obsolete inventories		**(1,480)**	(4,980)	**(14,940)**	(14,940)
Impairment of intangible assets		**-**	-	**-**	(22,500)
(LOSS) PROFIT BEFORE INCOME TAXES ON OVERSEAS SUBSIDIARY AND NATIONAL LABOUR SUPPORT TAX ("NLST")		**(134,531)**	(99,298)	**151,121**	84,304
Income taxes on overseas subsidiary		**(468)**	(2,918)	**(17,176)**	(14,890)
NLST		**2,291**	1,850	**(3,122)**	-
(LOSS) PROFIT FOR THE PERIOD		**(132,708)**	(100,366)	**130,823**	69,414
Attributable to:					
Equity holders of the Parent Company		**(132,465)**	(90,029)	**131,077**	79,955
Non-controlling interests		**(243)**	(10,337)	**(254)**	(10,541)
		(132,708)	(100,366)	**130,823**	69,414
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	3	**(2.3) fils**	(1.6) fils	**2.3 fils**	1.4 fils

The attached notes 1 to 10 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 30 September 2014

	Three months ended 30 September		*Nine months ended 30 September*	
	2014	*2013*	***2014***	*2013*
	KD	*KD*	***KD***	*KD*
(Loss) profit for the period	**(132,708)**	(100,366)	**130,823**	69,414
Other comprehensive loss				
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	**(7,179)**	(1,394)	**(11,742)**	(24,910)
Other comprehensive loss for the period	**(7,179)**	(1,394)	**(11,742)**	(24,910)
Total comprehensive (loss) income for the period	**(139,887)**	(101,760)	**119,081**	44,504
Attributable to:				
Equity holders of the Parent Company	**(139,644)**	(92,924)	**119,335**	53,544
Non-controlling interests	**(243)**	(8,836)	**(254)**	(9,040)
	(139,887)	(101,760)	**119,081**	44,504

The attached notes 1 to 10 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 30 September 2014

	Note	*30 September 2014* KD	*(Audited) 31 December 2013* KD	*30 September 2013* KD
ASSETS				
Non-current assets				
Property, plant and equipment		**4,618,936**	4,884,357	5,005,372
Intangible assets		**1,233,148**	1,209,273	1,193,762
Investment in an associate		**74,910**	90,053	108,340
Financial assets available-for-sale		**636,038**	636,038	1,024,563
		6,563,032	6,819,721	7,332,037
Current assets				
Inventories		**879,798**	933,829	832,585
Accounts receivable and prepayments		**3,208,365**	3,642,449	3,632,440
Financial assets at fair value through income statement		**97,439**	97,439	97,609
Bank balance and cash	4	**2,313,255**	1,978,869	1,839,966
		6,498,857	6,652,586	6,402,600
TOTAL ASSETS		**13,061,889**	13,472,307	13,734,637
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		**270,781**	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		**(162,486)**	(150,744)	(150,692)
Other reserve		**(513,600)**	(513,600)	(513,600)
Retained earnings (accumulated losses)		**131,077**	(58,442)	(156,434)
Equity attributable to equity holders of the Parent Company		**5,914,958**	6,077,790	5,979,850
Non-controlling interests		**41,548**	41,802	71,614
Total equity		**5,956,506**	6,119,592	6,051,464
Non-current liability				
Employees' end of service benefits		**1,020,955**	1,097,258	1,138,609
Current liabilities				
Accounts payable and accruals		**6,049,205**	6,219,003	6,507,197
Bank overdraft	4	**35,223**	36,454	37,367
		6,084,428	6,255,457	6,544,564
Total liabilities		**7,105,383**	7,352,715	7,683,173
TOTAL EQUITY AND LIABILITIES		**13,061,889**	13,472,307	13,734,637

Ahmad Yousef El-Kandari
Chairman

The attached notes 1 to 10 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 30 September 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	-	-	-	-	-	-	-	131,077	131,077	(254)	130,823
Other comprehensive loss for the period	-	-	-	-	-	(11,742)	-	-	(11,742)	-	(11,742)
Total comprehensive income (loss) for the period	-	-	-	-	-	(11,742)	-	131,077	119,335	(254)	119,081
Accumulated losses set-off (Note 5)	-	-	(58,442)	-	-	-	-	58,442	-	-	-
Dividend paid (Note 5)	-	-	(282,167)	-	-	-	-	-	(282,167)	-	(282,167)
Balance at 30 September 2014	**5,775,000**	**673,485**	**270,781**	**(223,952)**	**(35,347)**	**(162,486)**	**(513,600)**	**131,077**	**5,914,958**	**41,548**	**5,956,506**
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	-	-	-	-	-	-	-	79,955	79,955	(10,541)	69,414
Other comprehensive loss for the period	-	-	-	-	-	(26,411)	-	-	(26,411)	1,501	(24,910)
Total comprehensive income (loss) for the period	-	-	-	-	-	(26,411)	-	79,955	53,544	(9,040)	44,504
Balance at 30 September 2013	5,775,000	673,485	611,390	(223,952)	(35,347)	(150,692)	(513,600)	(156,434)	5,979,850	71,614	6,051,464

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 30 September 2014

	Notes	Nine months ended 30 September 2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the period		**130,823**	69,414
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation and amortisation		**408,352**	474,378
Impairment of intangible assets		**-**	22,500
Provision for employees' end of service benefits		**146,051**	141,474
Net loss on financial assets at fair value through income statement		**-**	333
Finance costs		**1,100**	1,070
Share of results of an associate		**9,250**	27,175
Gain on disposal of property, plant and equipment		**(17,111)**	(2,883)
		678,465	733,461
Working capital changes:			
Inventories		**54,031**	(182,165)
Accounts receivable and prepayments		**434,084**	(220,541)
Accounts payable and accruals		**(169,798)**	473,683
Cash flows from operations		**996,782**	804,438
Employees' end of service benefits paid		**(222,354)**	(257,779)
Net cash flows from operating activities		**774,428**	546,659
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(132,400)**	(138,498)
Proceeds from disposal of property, plant and equipment		**19,705**	2,883
Purchase of intangible assets		**(37,000)**	(86,035)
Net cash flows used in investing activities		**(149,695)**	(221,650)
FINANCING ACTIVITIES			
Finance costs paid		**(1,100)**	(1,070)
Dividend paid	5	**(282,167)**	-
Net cash flows used in financing activities		**(283,267)**	(1,070)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**341,466**	323,939
Net foreign exchange difference		**(5,849)**	(17,963)
Cash and cash equivalents at 1 January		**1,942,415**	1,496,623
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	**2,278,032**	1,802,599

The attached notes 1 to 10 form part of the interim condensed consolidated financial information.

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 nine months period ended 30 September 2014 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 10 November 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 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 nine months period ended 30 September 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) Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial information are listed below. The Group intends to adopt those standards when they become effective.

- *IFRS 9: Financial Instruments:*
  The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

2 BASIS OF PREPARATION (CONTINUED)

- *IFRS 15 – Revenue from Contracts with customers*
  IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

(d) The interim condensed consolidated financial information do not include all the information and disclosures required in the annual consolidated 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 nine months period ended 30 September 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.

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share is calculated by dividing the (loss) 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:

	Three months ended 30 September		*Nine months ended 30 September*	
	2014	*2013*	***2014***	*2013*
(Loss)/Profit for the period attributable to equity holders of the Parent Company (KD)	**(132,465)**	(90,029)	**131,077**	79,955
Number of shares outstanding:				
Weighted average number of paid up shares	**57,750,000**	57,750,000	**57,750,000**	57,750,000
Weighted average number of treasury shares	**(1,316,700)**	(1,316,700)	**(1,316,700)**	(1,316,700)
Weighted average number of shares	**56,433,300**	56,433,300	**56,433,300**	56,433,300
Basic and diluted (loss)/earnings per share	**(2.3) fils**	(1.6) fils	**2.3 fils**	1.4 fils

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:

	30 September 2014	*(Audited) 31 December 2013*	*30 September 2013*
	KD	*KD*	*KD*
Bank balances and cash	**2,313,255**	1,978,869	1,839,966
Bank overdrafts	**(35,223)**	(36,454)	(37,367)
	2,278,032	1,942,415	1,802,599

5 DIVIDEND AND SET OFF OF ACCUMULATED LOSSES

The shareholders of the Parent Company approved the following in the Annual General Assembly held on 28 May 2014:

a) Cash dividend of 5% of paid up share capital amounting to KD 282,167 for the financial year ended 31 December 2013 (2012: Nil) was approved to utilise from the voluntary reserve which was subsequently paid.

b) Accumulated losses amounting to KD 58,442 set off against voluntary reserve.

6 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:

	30 September 2014	*(Audited) 31 December 2013*	*30 September 2013*
	KD	*KD*	*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 *	**97,439**	97,439	97,609

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

Key management personnel compensation

	Nine months ended 30 September	
	2014	*2013*
	KD	*KD*
Salaries and other employee benefits	**162,252**	206,602
End of service benefits	**13,455**	17,721
	175,707	224,343

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

Nine months ended 30 September 2014	*Hotels* KD	*Food and beverages* KD	*Total* KD
Revenue and management fees	**1,240,099**	**6,251,646**	**7,491,745**
Results			
Segment (loss)/profit	**(8,840)**	**139,663**	**130,823**
Nine months ended 30 September 2013			
Revenue and management fees	789,456	7,630,728	8,420,184
Results			
Segment (loss)/profit	(181,032)	250,446	69,414

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

	Hotels KD	*Food and beverages* KD	*Total* KD
Assets			
At 30 September 2014	**6,369,304**	**6,692,585**	**13,061,889**
At 31 December 2013 (Audited)	6,548,326	6,923,981	13,472,307
At 30 September 2013	7,941,740	5,792,897	13,734,637
Liabilities			
At 30 September 2014	**4,414,159**	**2,691,224**	**7,105,383**
At 31 December 2013 (Audited)	4,102,376	3,250,339	7,352,715
At 30 September 2013	4,048,199	3,634,974	7,683,173

8 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:

	30 September 2014	*(Audited) 31 December 2013*	*30 September 2013*
	KD	*KD*	*KD*
Within one year	**96,960**	250,560	255,512
After one year but not more than five years	**810,460**	539,260	730,120
	907,420	789,820	985,632

9 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 30 September 2013: KD 2,195,770). It is anticipated that no material liabilities will arise.

10 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 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

	Level 3 and total KD
30 September 2014	
Financial assets at fair value through income statement	**97,439**
31 December 2013	
Financial assets at fair value through income statement	97,439
30 September 2013	
Financial assets at fair value through income statement	97,609

During the nine months period ended 30 September 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into Level 3 fair value measurements.