

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

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

31 MARCH 2017



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 2017, 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. 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 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 its Executive Regulations, or of the Parent Company’s Articles of Association and Memorandum of Incorporation, during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

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AL AIBAN, AL OSAIMI & PARTNERS

DR. ALI OWAID RUKHAEYES
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15 May 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 31 March 2017

	Note	Three months ended 31 March	
		2017 KD	2016 KD
Revenues		2,012,847	2,148,974
Management fees		210,604	227,184
Cost of revenues		(1,745,926)	(1,893,744)
GROSS PROFIT		477,525	482,414
Gain on disposal of intangible assets		-	401,284
Other income		32,988	41,759
Interest income		3,283	744
Administrative expenses		(343,044)	(382,026)
Selling and distribution expenses		(17,257)	(27,633)
Finance costs		(666)	-
PROFIT FOR THE PERIOD BEFORE PROVISION FOR INCOME TAXES ON OVERSEAS SUBSIDIARY, NATIONAL LABOUR SUPPORT TAX ("NLST"), CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS") AND ZAKAT		152,829	516,542
Income taxes on an overseas subsidiary		(10,068)	(18,114)
NLST		(3,718)	(12,187)
KFAS		(776)	(3,429)
Zakat		(685)	(367)
PROFIT FOR THE PERIOD		137,582	482,445
Attributable to:			
Equity holders of the Parent Company		137,496	480,674
Non-controlling interests		86	1,771
		137,582	482,445
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY	3	2.4 fils	8.5 fils

The attached notes 1 to 10 form part of this 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 2017

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	137,582	482,445
Other comprehensive income (loss)		
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:</i>		
Exchange difference on translation of foreign operations	6,969	(22,674)
Other comprehensive income (loss) for the period	6,969	(22,674)
Total comprehensive income for the period	144,551	459,771
Attributable to :		
Equity holders of the Parent Company	144,465	458,000
Non-controlling interests	86	1,771
	144,551	459,771


The attached notes 1 to 10 form part of this 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 2017

		(Audited)	
	31 March 2017	31 December 2016	31 March 2016
	KD	KD	KD
ASSETS			
Non-current assets			
Property, plant and equipment	4,077,782	4,150,663	4,159,273
Intangible assets	1,195,128	1,195,128	1,308,706
Investment in an associate	67,436	67,436	78,481
Financial assets available-for-sale	128,303	128,303	128,303
	<u>5,468,649</u>	<u>5,541,530</u>	<u>5,674,763</u>
Current assets			
Inventories	463,883	473,045	912,279
Accounts receivable and prepayments	2,328,287	2,738,908	2,871,296
Financial assets at fair value through profit or loss	71,400	71,400	71,400
Cash and cash equivalents	4	1,735,309	1,555,694
	<u>4,598,879</u>	<u>4,839,047</u>	<u>4,687,018</u>
TOTAL ASSETS	<u>10,067,528</u>	<u>10,380,577</u>	<u>10,361,781</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	5,775,000	5,775,000	5,775,000
Statutory reserve	715,421	715,421	704,926
Voluntary reserve	312,715	312,715	302,220
Treasury shares	5	(223,952)	(223,952)
Cumulative changes in fair value reserve	(40,822)	(40,822)	(40,822)
Foreign currency translation reserve	(312,062)	(319,031)	(201,484)
Other reserve	(513,600)	(513,600)	(513,600)
Retained earnings	447,996	310,500	708,174
Equity attributable to equity holders of the Parent Company	<u>6,160,696</u>	<u>6,016,231</u>	<u>6,510,462</u>
Non-controlling interests	(29,355)	(29,441)	(28,890)
Total equity	<u>6,131,341</u>	<u>5,986,790</u>	<u>6,481,572</u>
Non-current liability			
Employees' end of service benefits	968,320	957,156	1,014,911
Current liabilities			
Accounts payable and accruals	2,967,867	3,260,842	2,865,298
Bank overdrafts	4	-	175,789
	<u>2,967,867</u>	<u>3,436,631</u>	<u>2,865,298</u>
Total liabilities	<u>3,936,187</u>	<u>4,393,787</u>	<u>3,880,209</u>
TOTAL EQUITY AND LIABILITIES	<u>10,067,528</u>	<u>10,380,577</u>	<u>10,361,781</u>


Ahmad Yousef Al-Kandari
Chairman

The attached notes 1 to 10 form part of this 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 2017

	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 2017	5,775,000	715,421	312,715	(223,952)	(40,822)	(319,031)	(513,600)	310,500	6,016,231	(29,441)	5,986,790
Profit for the period	-	-	-	-	-	-	-	137,496	137,496	86	137,582
Other comprehensive income for the period	-	-	-	-	6,969	6,969	-	-	6,969	-	6,969
Total comprehensive income for the period	-	-	-	-	6,969	6,969	-	137,496	144,465	86	144,551
Balance at 31 March 2017	5,775,000	715,421	312,715	(223,952)	(40,822)	(312,062)	(513,600)	447,996	6,160,696	(29,355)	6,131,341
Balance 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
Balance at 31 March 2016	5,775,000	704,926	302,220	(223,952)	(40,822)	(201,484)	(513,600)	708,174	6,510,462	(28,890)	6,481,572

The attached notes 1 to 10 form part of this 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 2017

	<i>Three months ended</i>	
	<i>31 March</i>	
<i>Note</i>	2017	2016
	KD	KD
OPERATING ACTIVITIES		
Profit for the period before income taxes on overseas subsidiary, NLST, KFAS and Zakat	152,829	516,542
Adjustments to reconcile profit for the period before income taxes on overseas subsidiary, NLST, KFAS and Zakat to net cash flows:		
Depreciation	104,337	101,947
Provision for employees' end of service benefits	46,574	57,433
Interest income	(3,283)	(744)
Gain on disposal of intangible assets	-	(401,284)
Gain on disposal of property, plant and equipment	-	(4,365)
Provision for doubtful debts	-	5,917
Provision for slow moving and obsolete inventories	-	4,980
	300,457	280,426
Working capital changes:		
Inventories	9,162	1,872
Accounts receivable and prepayments	410,621	(456,353)
Accounts payable and accruals	(308,222)	59,703
Cash flows from (used in) operations	412,018	(114,352)
Employees' end of service benefits paid	(35,410)	(77,520)
Net cash flows from (used in) operating activities	376,608	(191,872)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(31,456)	(9,087)
Proceeds from disposal of intangible assets	-	401,284
Proceeds from disposal of property, plant and equipment	-	4,365
Interest income received	3,283	744
Net cash flows (used in) from investing activities	(28,173)	397,306
NET INCREASE IN CASH AND CASH EQUIVALENTS	348,435	205,434
Net foreign exchange difference	6,969	(22,674)
Cash and cash equivalents at 1 January	1,379,905	649,283
CASH AND CASH EQUIVALENTS AT 31 MARCH	1,735,309	832,043

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

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 2017 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 15 May 2017.

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 2016 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 2016 have not yet been approved. The interim condensed consolidated financial information for the three months period ended 31 March 2017 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 2016.

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 Parent Company.
- 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 2016. 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 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.
- 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 2016 except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

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>2017</i>	<i>2016</i>
Profit for the period attributable to equity shareholders of the Parent Company (KD)	<u>137,496</u>	<u>480,674</u>
Number of shares outstanding during the period:		
Weighted average number of paid up shares	<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>
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>2.4 fils</u>	<u>8.5 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>(Audited)</i>	<i>31 March</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	<u>898,132</u>	<u>721,210</u>	<u>600,373</u>
Short-term deposits whose original maturity is less than three months	<u>837,177</u>	<u>834,484</u>	<u>231,670</u>
	<u>1,735,309</u>	<u>1,555,694</u>	<u>832,043</u>
Bank overdrafts	<u>-</u>	<u>(175,789)</u>	<u>-</u>
	<u>1,735,309</u>	<u>1,379,905</u>	<u>832,043</u>

Short-term deposits are placed with a local bank in Kuwait. These deposits are denominated in KD and earn interest at 1.68% (2016: 1.68%) per annum.

5 TREASURY SHARES

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
Number of shares held	<u>1,316,700</u>	<u>1,316,700</u>	<u>1,316,700</u>
Percentage of shares held	<u>2.28%</u>	<u>2.28%</u>	<u>2.28%</u>
Market value (KD)	<u>329,175</u>	<u>395,010</u>	<u>276,507</u>
Weighted average market value per share (fils)	<u>245</u>	<u>284</u>	<u>210</u>

Reserves of the Parent Company equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

6 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 (31 March 2016: Nil).

Financial assets available-for-sale amounting to KD 35,789 (31 December 2016: KD 35,789 and 31 March 2016: KD 35,789) and financial assets at fair value through profit or loss amounting to KD 71,400 (31 December 2016: KD 71,400 and 31 March 2016: KD 71,400) are managed by a related party against which no management fees are charged.

Key management personnel compensation

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Salaries and other employee benefits	60,174	44,286
End of service benefits	5,787	4,113
	<u>65,961</u>	<u>48,399</u>

7 SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

1. Hotel Management: Owning, operating and managing of hotels.
2. Catering and manpower supply services: Providing catering and manpower supply services to governmental and non-governmental institutions.
3. Information technology services: Information technology administrative support.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

7 SEGMENT INFORMATION (continued)

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

	<i>Hotel management KD</i>	<i>Catering and manpower supply services KD</i>	<i>Information technology services KD</i>	<i>Total KD</i>
<i>Three months ended 31 March 2017</i>				
Revenue	153,585	1,824,559	34,703	2,012,847
Management fees	210,604	-	-	210,604
Results				
Segment profit (loss)	76,731	83,572	(7,474)	152,829
<i>Three months ended 31 March 2016</i>				
Revenue	152,303	1,903,626	93,045	2,148,974
Management fees	227,184	-	-	227,184
Results				
Segment profit	109,647	404,302	2,593	516,542

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

	<i>Hotel management KD</i>	<i>Catering and manpower supply services KD</i>	<i>Information technology services KD</i>	<i>Total KD</i>
Assets				
<i>31 March 2017</i>	5,604,017	4,441,346	22,165	10,067,528
<i>31 December 2016 (Audited)</i>	5,136,786	5,220,308	23,483	10,380,577
<i>31 March 2016</i>	5,269,841	5,055,449	36,491	10,361,781
Liabilities				
<i>31 March 2017</i>	1,968,113	1,892,908	75,146	3,936,187
<i>31 December 2016 (Audited)</i>	1,787,591	2,549,801	56,395	4,393,787
<i>31 March 2016</i>	1,631,985	2,154,923	93,301	3,880,209

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

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:

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Within one year	361,862	306,812	268,346
After one year but not more than five years	465,280	289,340	547,496
	<u>827,142</u>	<u>596,152</u>	<u>815,842</u>

9 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 2,496,407 (31 December 2016: KD 2,617,567 and 31 March 2016: KD 2,192,915). It is anticipated that no material liabilities will arise.

10 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date except certain unquoted financial assets available for sale amounting to KD 92,514 (31 December 2016: KD 92,514 and 31 March 2016: KD 92,514).