

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

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

30 JUNE 2017



Building a better
working world

EY
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2246 8419
kuwait@kw.ey.com
ey.com/mena



An Association of
Independent Accounting Firms



Bancid Al Gar - Al Darwaza Tower - 10 Floor
Tel: 2246 4282 - 2246 0020
Fax: 2246 0032
P.O. Box 240 Aldasma - 35151 - Kuwait
www.alikouhari.com

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 June 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 six 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 six months period ended 30 June 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

BADEL AL ABDULJADER
LICENCE NO. 207-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

ALI MOHAMMED KOUHARI
LICENCE NO. 156-A
Member of PrimeGlobal

25 July 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 30 June 2017

	<i>Three months ended</i>		<i>Six months ended</i>		
	<i>30 June</i>		<i>30 June</i>		
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	
Revenues	1,857,689	2,139,318	3,870,536	4,288,292	
Management fees	189,715	172,855	400,319	400,039	
Cost of revenues	(1,687,222)	(1,910,460)	(3,433,148)	(3,804,204)	
GROSS PROFIT	360,182	401,713	837,707	884,127	
Other income	26,479	32,546	59,467	69,940	
Interest income	1,088	813	4,371	1,557	
Gain on disposal of intangible assets	-	-	-	401,284	
Gain on disposal of property, plant and equipment	3,450	-	3,450	4,365	
Share of results from an associate	-	(1,521)	-	(1,521)	
Administrative expenses	(323,956)	(358,540)	(667,000)	(740,566)	
Selling and distribution expenses	(49,010)	(16,434)	(66,267)	(44,067)	
Finance costs	(92)	-	(758)	-	
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	18,141	58,577	170,970	575,119	
Income taxes on overseas subsidiary	(12)	(215)	(10,080)	(18,329)	
NLST	(1,905)	(1,464)	(5,623)	(13,651)	
KFAS	(199)	(730)	(975)	(4,159)	
Zakat	(487)	(522)	(1,172)	(889)	
PROFIT FOR THE PERIOD	15,538	55,646	153,120	538,091	
Attributable to:					
Equity holders of the Parent Company	15,370	55,817	152,866	536,491	
Non-controlling interests	168	(171)	254	1,600	
	15,538	55,646	153,120	538,091	
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	0.27 fils	0.99 fils	2.71 fils	9.51 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 30 June 2017

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	15,538	55,646	153,120	538,091
Other comprehensive (loss) income				
<i>Items that are (or) may be reclassified subsequently to interim condensed consolidated statement of income in subsequent periods:</i>				
Exchange difference on translation of foreign operations	(65,233)	371	(58,264)	(22,303)
Other comprehensive (loss) income for the period	(65,233)	371	(58,264)	(22,303)
Total comprehensive (loss) income for the period	(49,695)	56,017	94,856	515,788
Attributable to:				
Equity holders of the Parent Company	(49,863)	56,188	94,602	514,188
Non-controlling interests	168	(171)	254	1,600
	(49,695)	56,017	94,856	515,788

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)

As at 30 June 2017

		30 June 2017 KD	(Audited) 31 December 2016 KD	30 June 2016 KD
ASSETS				
Non-current assets				
Property, plant and equipment		4,066,458	4,150,663	4,105,693
Intangible assets		1,195,128	1,195,128	1,309,784
Investment in an associate		67,436	67,436	76,960
Financial assets available-for-sale		128,303	128,303	128,303
		<u>5,457,325</u>	<u>5,541,530</u>	<u>5,620,740</u>
Current assets				
Inventories		426,976	473,045	921,102
Accounts receivable and prepayments		2,315,294	2,738,908	2,816,541
Financial assets at fair value through profit or loss		71,400	71,400	71,400
Cash and cash equivalents	4	810,627	1,555,694	951,679
		<u>3,624,297</u>	<u>4,839,047</u>	<u>4,760,722</u>
TOTAL ASSETS		<u>9,081,622</u>	<u>10,380,577</u>	<u>10,381,462</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)	(223,952)
Cumulative changes in fair value reserve		(40,822)	(40,822)	(40,822)
Foreign currency translation reserve		(377,295)	(319,031)	(201,113)
Other reserve		(513,600)	(513,600)	(513,600)
Retained earnings		463,366	310,500	763,991
Equity attributable to equity holders of the Parent Company		<u>6,110,833</u>	<u>6,016,231</u>	<u>6,566,650</u>
Non-controlling interests		(29,187)	(29,441)	(29,061)
Total equity		<u>6,081,646</u>	<u>5,986,790</u>	<u>6,537,589</u>
Non-current liability				
Employees' end of service benefits		960,265	957,156	1,035,965
Current liabilities				
Accounts payable and accruals		2,039,711	3,260,842	2,807,908
Bank overdrafts	4	-	175,789	-
		<u>2,039,711</u>	<u>3,436,631</u>	<u>2,807,908</u>
Total liabilities		<u>2,999,976</u>	<u>4,393,787</u>	<u>3,843,873</u>
TOTAL EQUITY AND LIABILITIES		<u>9,081,622</u>	<u>10,380,577</u>	<u>10,381,462</u>



Ahmad Yousef El-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 30 June 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	-	-	-	-	-	-	-	152,866	152,866	254	153,120
Other comprehensive loss for the period	-	-	-	-	-	(58,264)	-	-	(58,264)	-	(58,264)
Total comprehensive (loss) income for the period	-	-	-	-	-	(58,264)	-	152,866	94,602	254	94,856
Balance as at 30 June 2017	5,775,000	715,421	312,715	(223,952)	(40,822)	(377,295)	(513,600)	463,366	6,110,833	(29,187)	6,081,646
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	-	-	-	-	-	-	-	536,491	536,491	1,600	538,091
Other comprehensive loss for the period	-	-	-	-	-	(22,303)	-	-	(22,303)	-	(22,303)
Total comprehensive (loss) income for the period	-	-	-	-	-	(22,303)	-	536,491	514,188	1,600	515,788
Balance as at 30 June 2016	5,775,000	704,926	302,220	(223,952)	(40,822)	(201,113)	(513,600)	763,991	6,566,650	(29,061)	6,537,589

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 30 June 2017

	Notes	Six months ended 30 June	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before income taxes on overseas subsidiaries, NLST, KFAS and Zakat		170,970	575,119
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation and amortisation		210,300	202,155
Provision for employees' end of service benefits		74,621	100,556
Provision for slow moving and obsolete inventories		-	9,960
Provision for doubtful debts		10,000	17,878
Interest income		(4,371)	(1,557)
Finance costs		758	-
Share of results of an associate		-	1,521
Gain on disposal of property, plant and equipment		(3,450)	(4,365)
Gain on disposal of intangible assets		-	(401,284)
		<u>458,828</u>	<u>499,983</u>
Working capital changes:			
Inventories		46,069	(11,931)
Accounts receivable and prepayments		413,614	(413,559)
Accounts payable and accruals		(1,279,894)	(618)
Cash flows (used in) from operations		<u>(361,383)</u>	<u>73,875</u>
Employees' end of service benefits paid		(71,511)	(99,589)
Finance costs paid		(758)	-
Net cash flows used in operating activities		<u>(433,652)</u>	<u>(25,714)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(137,500)	(56,793)
Proceeds from disposal of property, plant and equipment		14,850	4,365
Proceeds from disposal of intangible assets		-	401,284
Interest income received		4,371	1,557
Net cash flows (used in) from investing activities		<u>(118,279)</u>	<u>350,413</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(551,931)</u>	<u>324,699</u>
Net foreign exchange difference		(17,347)	(22,303)
Cash and cash equivalents at 1 January		<u>1,379,905</u>	<u>649,283</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	4	<u><u>810,627</u></u>	<u><u>951,679</u></u>

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 30 June 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 six months period ended 30 June 2017 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 25 July 2017.

The Parent Company was incorporated on 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.

On 13 June 2017, the shareholders at the Ordinary Annual General Meeting of the Parent Company 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 is 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 six months period ended 30 June 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 Group's annual audited consolidated financial statements for the year ended 31 December 2016. There were no amendments to International Financial Reporting Standards (IFRSs) that had 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 30 June 2017

3 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS 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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>15,370</u>	<u>55,817</u>	<u>152,866</u>	<u>536,491</u>
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	<u>(1,316,700)</u>	<u>(1,316,700)</u>	<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>	<u>56,433,300</u>	<u>56,433,300</u>
Basic and diluted earnings per share attributable to equity holders of the Parent Company	<u>0.27 fils</u>	<u>0.99 fils</u>	<u>2.71 fils</u>	<u>9.51 fils</u>

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

4 CASH AND CASH EQUIVALENTS

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	473,718	721,210	718,332
Short-term deposits with original maturities less than three months	<u>336,909</u>	<u>834,484</u>	<u>233,347</u>
	<u>810,627</u>	<u>1,555,694</u>	<u>951,679</u>
Bank overdrafts	-	(175,789)	-
	<u>810,627</u>	<u>1,379,905</u>	<u>951,679</u>

Short-term deposits are placed with a local bank in Kuwait. These deposits are denominated in KD and earn interest rate from 0.925% to 1.68% (2016: 0.925% to 1.68%) per annum.

5 TREASURY SHARES

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</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>
Cost (KD)	<u>223,952</u>	<u>223,952</u>	<u>223,952</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 30 June 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.

Financial assets available-for-sale amounting to KD 35,789 (31 December 2016: KD 35,789 and 30 June 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 30 June 2016: KD 71,400) are managed by a related party.

Key management personnel compensation

	<i>Six months ended 30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Salaries and other employee benefits	120,348	88,572
End of service benefits	11,574	8,226
	<u>131,922</u>	<u>96,798</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.

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

	<i>Hotel management</i>	<i>Catering and manpower supply services</i>	<i>Information technology services</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Six months ended 30 June 2017</i>				
Revenue	308,210	3,459,877	102,449	3,870,536
Management fees	400,319			400,319
Results				
Segment profit (loss)	50,749	132,004	(11,783)	170,970
<i>Six months ended 30 June 2016</i>				
Revenue	304,991	3,834,739	148,562	4,288,292
Management fees	400,039	-	-	400,039
Results				
Segment profit	37,707	537,063	349	575,119

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

7 SEGMENT INFORMATION (continued)

The following table presents segment assets and liabilities of 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>
Assets				
<i>At 30 June 2017</i>	4,794,598	4,253,637	33,387	9,081,622
<i>At 31 December 2016 (Audited)</i>	5,136,786	5,220,308	23,483	10,380,577
<i>At 30 June 2016</i>	5,436,698	4,925,050	19,714	10,381,462
Liabilities				
<i>At 30 June 2017</i>	1,236,727	1,692,931	70,318	2,999,976
<i>At 31 December 2016 (Audited)</i>	1,787,591	2,549,801	56,395	4,393,787
<i>At 30 June 2016</i>	1,712,640	2,038,718	92,515	3,843,873

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>30 June 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 June 2016 KD</i>
Within one year	314,703	306,812	187,164
After one year but not more than five years	543,443	289,340	459,800
	858,146	596,152	646,964

9 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 2,582,545 (31 December 2016: KD 2,617,567 and 30 June 2016: KD 2,453,516). 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 for certain unquoted financial assets available for sale amounting to KD 92,514 (31 December 2016: KD 92,514 and 30 June 2016: KD 92,514) that are carried at cost less impairment, if any, because their value cannot be reliably measured.