

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

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

**30 JUNE 2018**



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 June 2018, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month period then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month 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*

Except as explained in the following paragraph, 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.

### *Basis for Qualified Conclusion*

As stated in Note 2 of the interim condensed consolidated financial information, IFRS 9: *Financial Instruments* ("IFRS 9") is effective for annual reporting periods beginning on or after 1 January 2018. Based on the information provided to us by the management, the Group is still in the process of evaluating the potential effect of the expected credit loss (ECL) on the financial assets carried at amortised cost, as set out in IFRS 9, at the date of initial application and as at 30 June 2018. Consequently, we were unable to determine whether any adjustments might be necessary to the interim condensed consolidated financial information.

### *Qualified Conclusion*

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the matter described above, 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, except for the matter described in the "Basis for Qualified Conclusion" paragraph above, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, as amended, or of the Parent Company's Articles of Association and Memorandum of Incorporation, during the six-month period ended 30 June 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

25 July 2018  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 30 June 2018

	<i>Three months ended</i>		<i>Six months ended</i>		
	<i>30 June</i>		<i>30 June</i>		
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	
Revenue	1,792,099	1,857,689	3,591,965	3,870,536	
Management fees	164,556	189,715	391,004	400,319	
Cost of revenue	(1,593,730)	(1,687,222)	(3,190,394)	(3,433,148)	
<b>GROSS PROFIT</b>	<b>362,925</b>	<b>360,182</b>	<b>792,575</b>	<b>837,707</b>	
Other income	22,742	26,479	42,383	59,467	
Interest income	-	1,088	-	4,371	
Gain on disposal of property, plant and equipment	-	3,450	-	3,450	
Share of results from an associate	-	-	5,155	-	
Administrative expenses	(383,271)	(323,956)	(724,994)	(667,000)	
Selling and distribution expenses	(16,425)	(49,010)	(26,118)	(66,267)	
Finance costs	-	(92)	-	(758)	
<b>(LOSS) PROFIT FOR THE PERIOD BEFORE TAX</b>	<b>(14,029)</b>	<b>18,141</b>	<b>89,001</b>	<b>170,970</b>	
Income taxes on overseas subsidiary	(14,661)	(12)	(19,828)	(10,080)	
Provision for National Labour Support Tax (NLST)	(286)	(1,905)	(2,483)	(5,623)	
Provision for contribution to Kuwait Foundation for Advancement of Science (KFAS)	104	(199)	(490)	(975)	
Provision for Zakat	193	(487)	(540)	(1,172)	
<b>(LOSS) PROFIT FOR THE PERIOD</b>	<b>(28,679)</b>	<b>15,538</b>	<b>65,660</b>	<b>153,120</b>	
<b>Attributable to:</b>					
Equity holders of the Parent Company	(28,727)	15,370	65,633	152,866	
Non-controlling interests	48	168	27	254	
	<b>(28,679)</b>	<b>15,538</b>	<b>65,660</b>	<b>153,120</b>	
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>3</b>	<b>(0.51) fils</b>	<b>0.27 fils</b>	<b>1.16 fils</b>	<b>2.71 fils</b>

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)

For the period ended 30 June 2018

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>(Loss) profit for the period</b>	<b>(28,679)</b>	<b>15,538</b>	<b>65,660</b>	<b>153,120</b>
<b>Other comprehensive income (loss)</b>				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Exchange differences on translation of foreign operations	18,193	(65,233)	(1,832)	(58,264)
<b>Other comprehensive income (loss) for the period</b>	<b>18,193</b>	<b>(65,233)</b>	<b>(1,832)</b>	<b>(58,264)</b>
<b>Total comprehensive (loss) income for the period</b>	<b>(10,486)</b>	<b>(49,695)</b>	<b>63,828</b>	<b>94,856</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	(10,534)	(49,863)	63,801	94,602
Non-controlling interests	48	168	27	254
	<b>(10,486)</b>	<b>(49,695)</b>	<b>63,828</b>	<b>94,856</b>


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 2018

		(Audited)	
	30 June	31 December	30 June
	2018	2017	2017
	KD	KD	KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3,774,617	3,840,643	4,066,458
Intangible assets	1,138,128	1,138,128	1,195,128
Investment in an associate	28,790	41,460	67,436
Financial assets at fair value through other comprehensive income	97,434	-	-
Available-for-sale financial assets	-	97,434	128,303
	<u>5,038,969</u>	<u>5,117,665</u>	<u>5,457,325</u>
<b>Current assets</b>			
Inventories	324,858	359,888	426,976
Accounts receivable and prepayments	2,431,626	1,892,611	2,315,294
Financial assets at fair value through profit or loss	71,400	71,400	71,400
Cash and cash equivalents	460,048	970,002	810,627
	<u>3,287,932</u>	<u>3,293,901</u>	<u>3,624,297</u>
<b>TOTAL ASSETS</b>	<u>8,326,901</u>	<u>8,411,566</u>	<u>9,081,622</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5,775,000	5,775,000	5,775,000
Statutory reserve	716,137	716,137	715,421
Voluntary reserve	313,431	313,431	312,715
Treasury shares	(223,952)	(223,952)	(223,952)
Fair value reserve	(40,822)	(40,822)	(40,822)
Foreign currency translation reserve	(383,059)	(381,227)	(377,295)
Other reserve	(513,600)	(513,600)	(513,600)
Retained earnings	99,467	33,834	463,366
<b>Equity attributable to equity holders of the Parent Company</b>	<u>5,742,602</u>	<u>5,678,801</u>	<u>6,110,833</u>
Non-controlling interests	(29,341)	(29,368)	(29,187)
<b>Total equity</b>	<u>5,713,261</u>	<u>5,649,433</u>	<u>6,081,646</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	870,845	878,052	960,265
<b>Current liabilities</b>			
Accounts payable and accruals	1,742,795	1,884,081	2,039,711
<b>Total liabilities</b>	<u>2,613,640</u>	<u>2,762,133</u>	<u>2,999,976</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>8,326,901</u>	<u>8,411,566</u>	<u>9,081,622</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)

For the period ended 30 June 2018

Attributable to equity holders of the Parent Company

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	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
At 1 January 2018	5,775,000	716,137	313,431	(223,952)	(40,822)	(381,227)	(513,600)	33,834	5,678,801	(29,368)	5,649,433
Profit for the period	-	-	-	-	-	-	-	65,633	65,633	27	65,660
Other comprehensive loss for the period	-	-	-	-	-	(1,832)	-	-	(1,832)	-	(1,832)
Total comprehensive (loss) income for the period	-	-	-	-	-	(1,832)	-	65,633	63,801	27	63,828
<b>At 30 June 2018</b>	<b>5,775,000</b>	<b>716,137</b>	<b>313,431</b>	<b>(223,952)</b>	<b>(40,822)</b>	<b>(383,059)</b>	<b>(513,600)</b>	<b>99,467</b>	<b>5,742,602</b>	<b>(29,341)</b>	<b>5,713,261</b>
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
<b>Balance as at 30 June 2017</b>	<b>5,775,000</b>	<b>715,421</b>	<b>312,715</b>	<b>(223,952)</b>	<b>(40,822)</b>	<b>(377,295)</b>	<b>(513,600)</b>	<b>463,366</b>	<b>6,110,833</b>	<b>(29,187)</b>	<b>6,081,646</b>

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)

For the period ended 30 June 2018

	Note	Six months ended 30 June	
		2018 KD	2017 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before tax		89,001	170,970
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation		186,192	210,300
Provision for employees' end of service benefits		86,068	74,621
Provision for doubtful debts		11,322	10,000
Interest income		-	(4,371)
Finance costs		-	758
Gain on disposal of property, plant and equipment		-	(3,450)
Share of results of an associate		(5,155)	-
		<u>367,428</u>	<u>458,828</u>
<i>Working capital changes:</i>			
Inventories		35,030	46,069
Accounts receivable and prepayments		(550,337)	413,614
Accounts payable and accruals		(164,627)	(1,279,894)
Cash flows used in operations		<u>(312,506)</u>	<u>(361,383)</u>
Employees' end of service benefits paid		(93,275)	(71,511)
Finance costs paid		-	(758)
<b>Net cash flows used in operating activities</b>		<u>(405,781)</u>	<u>(433,652)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(120,166)	(137,500)
Proceeds from disposal of property, plant and equipment		-	14,850
Interest income received		-	4,371
<b>Net cash flows used in investing activities</b>		<u>(120,166)</u>	<u>(118,279)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(525,947)</u>	<u>(551,931)</u>
Net foreign exchange differences		15,993	(17,347)
Cash and cash equivalents at 1 January		970,002	1,379,905
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	4	<u>460,048</u>	<u>810,627</u>

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

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

As at and for the period ended 30 June 2018

### 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 ended 30 June 2018 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 25 July 2018.

The Parent Company was incorporated on 12 June 1962 in accordance with Companies Law of Kuwait and is listed on the Boursa Kuwait. 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 15 May 2018, the shareholders at the Annual General Meeting (AGM) of the Parent Company approved the consolidated financial statements for the year ended 31 December 2017.

### 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

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").

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information does 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 2017.

#### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new accounting standards, IFRS 9: *Financial instruments* and IFRS 15: *Revenue from Contracts with Customers*, effective as of 1 January 2018.

The Group has not early adopted any other standard, interpretation or amendment that has been issued and not yet effective. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 and IFRS 15 are summarised below:

##### *IFRS 9 Financial Instruments*

The Group has adopted IFRS 9 effective from 1 January 2018. IFRS 9 brings together the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The Group has not restated comparative information for the financial year 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for the period ended 30 June 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 30 June 2018.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

##### *(a) Classification and measurement*

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

**2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)**

*IFRS 9 Financial Instruments (continued)*

*(a) Classification and measurement (continued)*

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), Amortised Cost (AC), or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

With respect to receivables, the Group analysed the contractual cash flow characteristics of those instruments and concluded that based on their business model which is to hold the financial asset to collect the contractual cash flows which meets the SPPI criterion, these instruments shall be classified as at amortised cost under IFRS 9. Therefore, reclassification of these instruments is not required on initial adoption of IFRS 9.

Financial assets at FVOCI comprise equity instruments, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

Financial assets at FVTPL comprise equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's unquoted equity instruments comprising of managed portfolios were classified as FVTPL financial assets.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

*(b) Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all receivables at amortised cost and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For accounts and other receivables, the Group is in the process of applying the standard's simplified approach and is computing ECLs based on lifetime expected credit losses. The Group will be establishing a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, as the management is still in the process of assessing the full impact of the application of IFRS 9 on the Group's interim condensed consolidated financial information, based on the available information as of the reporting date, management is in the view that the measurement of receivables under IFRS 9 does not have a material impact on the interim condensed consolidated financial information of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

(c) Hedge accounting

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group is not dealing in any derivative instruments.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as investment in associates (arising from the financial instruments held by these entities), tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.
- b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018:

2018	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 KD	Re-measurement KD	New carrying amount under IFRS 9 KD
Cash and cash equivalents	Loans and Receivables	Amortised cost	970,002	-	970,002
Accounts receivable	Loans and Receivables	Amortised cost	1,335,186	-	1,335,186
Available-for-sale financial assets	AFS	FVOCI	97,434	-	97,434
Financial assets at fair value through profit or loss	FVTPL	FVTPL	71,400	-	71,400
			<u>2,474,022</u>	<u>-</u>	<u>2,474,022</u>

There was no impact of classification and measurement in pursuant to IFRS 9 on the reserves and retained earnings.

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

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

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

As at and for the period ended 30 June 2018

### 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

#### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

##### *IFRS 15: Revenue from Contracts with Customers*

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. The adoption of this standard does not have any material effect on the Group's interim condensed consolidated financial information.

### 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>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
(Loss) profit for the period attributable to equity holders of the Parent Company (KD)	<u>(28,727)</u>	<u>15,370</u>	<u>65,633</u>	<u>152,866</u>
Number of shares outstanding:				
Weighted average number of paid up shares	<u>57,750,000</u>	<u>57,750,000</u>	<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>	<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>(0.51) fils</u>	<u>0.27 fils</u>	<u>1.16 fils</u>	<u>2.71 fils</u>

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

### 4 CASH AND CASH EQUIVALENTS

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash at bank and in hand	460,048	970,002	473,718
Short-term deposits with original maturities less than three months	-	-	336,909
	<u>460,048</u>	<u>970,002</u>	<u>810,627</u>

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

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

As at and for the period ended 30 June 2018

### 5 TREASURY SHARES

	<i>30 June</i> <i>2018</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i>	<i>30 June</i> <i>2017</i>
Number of shares held	<b>1,316,700</b>	1,316,700	1,316,700
Percentage of shares held	<b>2.28%</b>	2.28%	2.28%
Market value (KD)	<b>68,468</b>	323,908	329,175
Weighted average market value per share (fils)	<b>52</b>	246	245

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

### 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 significant transactions with related parties during the period other than those related to key management personnel compensation disclosed below.

Financial assets at fair value through other comprehensive income amounting to KD 35,789 (31 December 2017: KD 35,789 and 30 June 2017: KD 35,789) and financial assets at fair value through profit or loss amounting to KD 71,400 (31 December 2017: KD 71,400 and 30 June 2017: KD 71,400) are managed by a related party.

#### Key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions and outstanding balances related to key management personal were as follows:

	<i>Transactions for the six</i> <i>months ended</i>		<i>Balances outstanding</i>	
	<i>30 June</i> <i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2017</i> <i>KD</i>
<b>Key management personnel compensation</b>				
Salaries and short-term benefits	<b>88,572</b>	120,348	<b>44,978</b>	46,341
Employees' end of service benefits	<b>8,226</b>	11,574	<b>159,490</b>	164,370
	<b>96,798</b>	131,922	<b>204,468</b>	210,711

### 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 and chalets.
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 and for the period ended 30 June 2018

7 SEGMENT INFORMATION (continued)

The following table present 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>Six months ended 30 June 2018</i>				
Revenue	423,291	3,096,352	72,322	3,591,965
Management fees	391,004	-	-	391,004
Results				
Segment profit	23,270	54,044	11,687	89,001
<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

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>
<b>Assets</b>				
<i>30 June 2018</i>	4,553,907	3,711,399	61,595	8,326,901
<i>31 December 2017 (Audited)</i>	3,839,127	4,533,715	38,724	8,411,566
<i>30 June 2017</i>	4,794,598	4,253,637	33,387	9,081,622
<b>Liabilities</b>				
<i>30 June 2018</i>	1,233,557	1,317,001	63,082	2,613,640
<i>31 December 2017 (Audited)</i>	1,551,490	1,150,242	60,401	2,762,133
<i>30 June 2017</i>	1,236,727	1,692,931	70,318	2,999,976

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

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

As at and for the period ended 30 June 2018

### 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</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2018</i>	<i>31 December</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Within one year	183,978	383,352	314,703
After one year but not more than five years	681,220	681,220	543,443
	<u>865,198</u>	<u>1,064,572</u>	<u>858,146</u>

### 9 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,562,675 (31 December 2017: KD 1,868,600 and 30 June 2017: KD 2,582,545). It is anticipated that no material liabilities will arise.

### 10 FAIR VALUE MEASUREMENT 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.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, financial assets at fair value through profit or loss, receivables and financial assets available-for-sale. Financial liabilities consist of payables and bank overdrafts.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date.