

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

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

**31 MARCH 2020**



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## **INDEPENDENT AUDITOR'S REVIEW REPORT ON 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 2020, and the related interim condensed consolidated statement of profit or loss, 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-month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting 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, it 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 the basis of preparation set out in accordance 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, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the three-month period ended 31 March 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

1 September 2020  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
Revenue from contracts with customers	3	1,234,792	1,502,211
Management fees		104,962	249,966
Rental income		230,204	229,829
<b>Total revenue</b>		<b>1,569,958</b>	<b>1,982,006</b>
Cost of sales		(1,294,882)	(1,451,788)
<b>GROSS PROFIT</b>		<b>275,076</b>	<b>530,218</b>
Other income		35,480	34,800
Share of results of associates		1,766	(268)
Administrative expenses		(294,145)	(353,674)
Selling and distribution expenses		(71,329)	(177,385)
<b>(LOSS) PROFIT BEFORE TAX</b>		<b>(53,152)</b>	<b>33,691</b>
Provision for National Labour Support Tax (NLST)		-	(676)
Provision for Kuwait Foundation for Advancement of Sciences (KFAS)		-	(245)
Provision for Zakat		-	(1,726)
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(53,152)</b>	<b>31,044</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		(52,734)	31,078
Non-controlling interests		(418)	(34)
		<b>(53,152)</b>	<b>31,044</b>
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	4	<b>(0.93) fils</b>	<b>0.55 fils</b>

The attached notes 1 to 11 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 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2020</b>	<b>2019</b>
	<i>KD</i>	<i>KD</i>
<b>(Loss) profit for the period</b>	<b>(53,152)</b>	31,044
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	1,596	(9,730)
<b>Other comprehensive income (loss) for the period</b>	<b>1,596</b>	<b>(9,730)</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(51,556)</b>	<b>21,314</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>(51,138)</b>	21,348
Non-controlling interests	<b>(418)</b>	(34)
	<b>(51,556)</b>	<b>21,314</b>

The attached notes 1 to 11 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 31 March 2020

	Notes	31 March 2020 KD	(Audited) 31 December 2019 KD	31 March 2019 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment		2,948,251	3,040,205	3,539,517
Right-of-use assets		-	500,693	1,439,342
Intangible assets		13,711	13,711	1,060,877
Investment in associates		129,822	128,056	24,220
Investment securities		36,945	36,945	50,235
		<u>3,128,729</u>	<u>3,719,610</u>	<u>6,114,191</u>
<b>Current assets</b>				
Inventories		98,659	108,139	250,289
Accounts receivable and prepayments		2,050,423	2,089,295	2,020,415
Investment securities		38,900	38,900	71,400
Cash and short-term deposits	5	1,466,817	1,463,565	710,892
		<u>3,654,799</u>	<u>3,699,899</u>	<u>3,052,996</u>
<b>TOTAL ASSETS</b>		<u><u>6,783,528</u></u>	<u><u>7,419,509</u></u>	<u><u>9,167,187</u></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	716,137
Voluntary reserve		313,431	313,431	313,431
Treasury shares	6	(223,952)	(223,952)	(223,952)
Fair value reserve		(97,112)	(97,112)	(83,822)
Foreign currency translation reserve		(372,230)	(373,826)	(393,187)
Other reserve		(513,600)	(513,600)	(513,600)
Accumulated losses		(1,639,309)	(1,586,575)	(571,365)
<b>Equity attributable to equity holders of the Parent Company</b>		<u>3,958,365</u>	<u>4,009,503</u>	<u>5,018,642</u>
Non-controlling interests		1,253	1,671	2,541
<b>Total equity</b>		<u>3,959,618</u>	<u>4,011,174</u>	<u>5,021,183</u>
<b>Non-current liabilities</b>				
Employees' end of service benefits		946,676	908,769	825,473
Lease liabilities		-	397,351	1,194,588
		<u>946,676</u>	<u>1,306,120</u>	<u>2,020,061</u>
<b>Current liabilities</b>				
Accounts payable and accruals		1,849,393	1,987,882	1,872,646
Lease liabilities		-	114,333	253,297
Bank overdraft	5	27,841	-	-
		<u>1,877,234</u>	<u>2,102,215</u>	<u>2,125,943</u>
<b>Total liabilities</b>		<u>2,823,910</u>	<u>3,408,335</u>	<u>4,146,004</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,783,528</u></u>	<u><u>7,419,509</u></u>	<u><u>9,167,187</u></u>



Ahmad Yousef El-Kandari  
Chairman

The attached notes 1 to 11 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 31 March 2020

	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	Accumulated losses KD	Sub-total KD	Non- controlling interests KD	Total equity KD
As at 1 January 2020	5,775,000	716,137	313,431	(223,952)	(97,112)	(373,826)	(513,600)	(1,586,575)	4,009,503	1,671	4,011,174
Loss for the period	-	-	-	-	-	-	-	(52,734)	(52,734)	(418)	(53,152)
Other comprehensive income for the period	-	-	-	-	-	1,596	-	-	1,596	-	1,596
Total comprehensive income (loss) for the period	-	-	-	-	-	1,596	-	(52,734)	(51,138)	(418)	(51,556)
<b>At 31 March 2020</b>	<b>5,775,000</b>	<b>716,137</b>	<b>313,431</b>	<b>(223,952)</b>	<b>(97,112)</b>	<b>(372,230)</b>	<b>(513,600)</b>	<b>(1,639,309)</b>	<b>3,958,365</b>	<b>1,253</b>	<b>3,959,618</b>
As at 1 January 2019	5,775,000	716,137	313,431	(223,952)	(83,822)	(383,457)	(513,600)	(602,443)	4,997,294	2,575	4,999,869
Profit for the period	-	-	-	-	-	-	-	31,078	31,078	(34)	31,044
Other comprehensive loss for the period	-	-	-	-	-	(9,730)	-	-	(9,730)	-	(9,730)
Total comprehensive income for the period	-	-	-	-	-	(9,730)	-	31,078	21,348	(34)	21,314
<b>At 31 March 2019</b>	<b>5,775,000</b>	<b>716,137</b>	<b>313,431</b>	<b>(223,952)</b>	<b>(83,822)</b>	<b>(393,187)</b>	<b>(513,600)</b>	<b>(571,365)</b>	<b>5,018,642</b>	<b>2,541</b>	<b>5,021,183</b>

The attached notes 1 to 11 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 31 March 2020

		<i>Three months ended 31 March</i>	
	<i>Note</i>	<b>2020 KD</b>	<b>2019 KD</b>
<b>OPERATING ACTIVITIES</b>			
(Loss) profit before tax		<b>(53,152)</b>	33,691
<i>Adjustments to reconcile (loss) profit before tax to net cash flows:</i>			
Depreciation of property and equipment		<b>97,919</b>	110,150
Amortization of intangible assets		<b>743</b>	-
Extinguishment of right-of-use assets		<b>(10,991)</b>	-
Finance costs		<b>1,107</b>	-
Interest income		<b>(7,010)</b>	-
Provision for employees' end of service benefits		<b>43,816</b>	45,677
Gain on disposal of items of property and equipment		<b>-</b>	(7,684)
Share of results of an associate		<b>(1,766)</b>	268
		<b>70,666</b>	182,102
<i>Working capital adjustments:</i>			
Inventories		<b>9,479</b>	4,665
Accounts receivable and prepayments		<b>38,872</b>	(141,538)
Accounts payable and accruals		<b>(138,489)</b>	(218,309)
Cash flows used in operations		<b>(19,472)</b>	(173,080)
Employees' end of service benefits paid		<b>(5,909)</b>	(10,942)
<b>Net cash flows used in operating activities</b>		<b>(25,381)</b>	(184,022)
<b>INVESTING ACTIVITIES</b>			
Purchase of items of property and equipment		<b>(6,707)</b>	(81,347)
Proceeds from disposal of items of property and equipment		<b>-</b>	7,684
Interest income received		<b>7,010</b>	-
<b>Net cash flows from (used in) investing activities</b>		<b>303</b>	(73,663)
<b>FINANCING ACTIVITIES</b>			
Finance costs paid		<b>(1,107)</b>	-
<b>Net cash flows used in financing activities</b>		<b>(1,107)</b>	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(26,185)</b>	(257,685)
Net foreign exchange differences		<b>1,596</b>	(8,065)
Cash and cash equivalents at 1 January		<b>1,463,565</b>	976,642
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>5</b>	<b>1,438,976</b>	710,892
<b>Non-cash items excluded from the interim condensed consolidated statement of cash flows:</b>			
Transitional adjustment to lease liabilities on adoption of IFRS 16		<b>-</b>	1,508,691
Transitional adjustment to property and equipment on adoption of IFRS 16		<b>-</b>	(1,508,691)
Extinguishment of right-of-use asset		<b>(500,693)</b>	-
Extinguishment of lease liabilities		<b>511,684</b>	-

The attached notes 1 to 11 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 31 March 2020

### 1 CORPORATE INFORMATION

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 ended 31 March 2020 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 1 September 2020.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company's registered office is P. O. Box 833, Safat 13009, 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 shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 31 May 2020 approved the consolidated financial statements for the year ended 31 December 2019. No dividends were declared by the Parent Company.

### 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 2019.

The interim condensed consolidated financial information provides comparative information in respect of the previous period. Certain reclassifications have been made to confirm the prior period's financial information and notes thereto to current period's presentation.

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

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

##### **Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

##### **Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

##### **Amendments to IAS 1 and IAS 8: *Definition of Material***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."



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 31 March 2020

**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)**

**Amendments to IAS 1 and IAS 8: Definition of Material (continued)**

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial information of the Group.

**3 REVENUE FROM CONTRACT WITH CUSTOMERS**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<i>For the three months ended 31 March 2020</i>		
	<i>Catering KD</i>	<i>Bakery products KD</i>	<i>Total KD</i>
<i>Type of goods or service</i>			
Revenue from rendering of services	1,100,137	-	1,100,137
Sale of goods	-	134,655	134,655
	<u>1,100,137</u>	<u>134,655</u>	<u>1,234,792</u>
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	-	134,655	134,655
Services transferred over time	1,100,137	-	1,100,137
	<u>1,100,137</u>	<u>134,655</u>	<u>1,234,792</u>
	<i>For the three months ended 31 March 2019</i>		
	<i>Catering KD</i>	<i>Bakery products KD</i>	<i>Total KD</i>
<i>Type of goods or service</i>			
Revenue from rendering of services	1,204,347	-	1,204,347
Sale of goods	-	297,864	297,864
	<u>1,204,347</u>	<u>297,864</u>	<u>1,502,211</u>
<i>Timing of revenue recognition</i>			
Goods transferred at a point in time	-	297,864	297,864
Services transferred over time	1,204,347	-	1,204,347
	<u>1,204,347</u>	<u>297,864</u>	<u>1,502,211</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 31 March 2020

### 4 (LOSS) EARNINGS PER SHARE

Basic (loss) earning per share amounts are calculated by dividing the (loss) profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted (loss) profit per share is calculated by dividing the (loss) profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted (loss) earnings per share are identical.

	<i>Three months ended</i>	
	<i>2020</i>	<i>2019</i>
(Loss) profit for the period attributable to equity holders of the Parent Company (KD)	<u>(52,734)</u>	<u>31,078</u>
Weighted average number of shares outstanding (shares) *	<u>56,433,300</u>	<u>56,433,300</u>
<b>Basic and diluted (loss) earnings per share (fls)</b>	<u><b>(0.93)</b></u>	<u><b>0.55</b></u>

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

### 5 CASH AND CASH EQUIVALENTS

For the purpose of interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash at bank and in hand	<u>858,232</u>	659,312	710,892
Short-term deposits*	<u>608,585</u>	804,253	-
<b>Cash and short-term deposits</b>	<u><b>1,466,817</b></u>	<u>1,463,565</u>	<u>710,892</u>
Bank overdraft	<u>(27,841)</u>	-	-
<b>Cash and cash equivalents as per interim condensed consolidated statement of cash flows</b>	<u><b>1,438,976</b></u>	<u>1,463,565</u>	<u>710,892</u>

\* Short term deposits are placed for varying periods of one month to three months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

### 6 TREASURY SHARES

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
Number of shares held	<u>1,316,700</u>	1,316,700	1,316,700
Percentage of shares held	<u>2.33%</u>	2.33%	2.33%
Cost (KD)	<u>223,952</u>	223,952	223,952
Market value (KD)	<u>131,670</u>	131,670	131,670

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

## 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 31 March 2020

#### 7 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.

Investment in equity securities with a carrying value of KD 52,650 at 31 March 2020 (31 December 2019: KD 52,650 and 31 March 2019: KD 88,900) are managed by a related party.

##### Key management personnel

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

The aggregate value of transactions relating to key management personnel were as follows:

	<i>Transaction value for the period ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Salaries and short-term employee benefits	<b>62,248</b>	47,364
End of services benefits	<b>5,181</b>	4,554
	<b><u>67,429</u></b>	<u>51,918</u>

The aggregate value of outstanding balances relating to key management personnel were as follows:

	<i>Balance outstanding as at</i>		
	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short-term employee benefits	<b>45,920</b>	40,999	38,662
End of services benefits	<b>217,205</b>	212,070	194,866
	<b><u>263,125</u></b>	<u>253,069</u>	<u>233,528</u>

#### 8 SEGMENTAL INFORMATION

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

- ▶ Hotel Management: Owning, operating and managing of hotels
- ▶ Catering and manpower supply services: Providing catering and manpower supply services to governmental and non-governmental institutions.
- ▶ 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)  
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8 SEGMENTAL INFORMATION (continued)

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

	Hotel management		Catering and manpower supply services		Information technology services		Total	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	KD	KD	KD	KD	KD	KD	KD	KD
Revenue from contracts with customers	-	-	1,174,246	1,465,992	60,546	36,219	1,234,792	1,502,211
Management fees	104,962	249,966	-	-	-	-	104,962	249,966
Rental income	230,203	229,829	-	-	-	-	230,203	229,829
Other income	32,760	25,347	2,720	9,453	-	-	35,480	34,800
	<u>367,925</u>	<u>505,142</u>	<u>1,176,966</u>	<u>1,475,445</u>	<u>60,546</u>	<u>36,219</u>	<u>1,605,437</u>	<u>2,016,806</u>
Cost of sales	(256,859)	(234,288)	(969,015)	(1,166,825)	(69,008)	(50,675)	(1,294,882)	(1,451,788)
Share of results of an associate	-	(268)	1,766	-	-	-	1,766	(268)
Administrative expenses	(158,928)	(202,757)	(124,566)	(140,413)	(10,650)	(10,504)	(294,144)	(353,674)
Selling and distribution expenses	-	-	(71,329)	(177,385)	-	-	(71,329)	(177,385)
<b>Segment (loss) profit</b>	<u>(47,862)</u>	<u>67,829</u>	<u>13,822</u>	<u>(9,178)</u>	<u>(19,112)</u>	<u>(24,960)</u>	<u>(53,152)</u>	<u>33,691</u>
Depreciation on property and equipment	62,545	60,584	36,054	49,544	55	22	98,654	110,150

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

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

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#### 8 SEGMENTAL 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>
<b>Assets</b>				
<i>31 March 2020</i>	<u>4,056,017</u>	<u>2,646,770</u>	<u>52,900</u>	<u>6,755,687</u>
<i>31 December 2019 (Audited)</i>	<u>4,754,837</u>	<u>2,644,599</u>	<u>20,073</u>	<u>7,419,509</u>
<i>31 March 2019</i>	<u>4,335,293</u>	<u>4,826,242</u>	<u>5,652</u>	<u>9,167,187</u>
<b>Liabilities</b>				
<i>31 March 2020</i>	<u>1,333,002</u>	<u>1,396,155</u>	<u>66,912</u>	<u>2,796,069</u>
<i>31 December 2019 (Audited)</i>	<u>1,484,933</u>	<u>1,860,579</u>	<u>62,823</u>	<u>3,408,335</u>
<i>31 March 2019</i>	<u>1,212,145</u>	<u>2,875,380</u>	<u>58,479</u>	<u>4,146,004</u>

Geographically, all assets of the Group are located in the MENA region. All revenue from operations of the Group is from activities in this region.

#### 9 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,674,122 (31 December 2019: KD 1,832,764 and 31 March 2019: KD 1,495,967). It is anticipated that no material liabilities will arise.

#### 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

##### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of its assets and liabilities by valuation technique:

- ▶ Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- ▶ Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts as these are either of short-term maturity (no longer than twelve months) or re-priced immediately based on market movement in interest rates.

The Group's financial assets measured at fair value represent unquoted equity investments classified as Level 3.

**10 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

**Description of significant unobservable inputs to valuation of financial assets:**

The fair value of unlisted equity investment have been estimated using a market based valuation technique. The Group determines comparable public companies (peers) based on industry, size and leverage and calculates an appropriate trading multiple for the comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy include discount for lack of marketability (DLOM) that the Group has determined that market participants would take into account when pricing the investments. The Group has also performed a sensitivity analysis by varying these inputs by 5%. Based on such analysis, no significant changes in fair values were noted.

**11 IMPACT OF COVID-19**

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

**11.1 Risk management**

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 31 March 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

**11.1.1 Credit risk**

The Group is mainly exposed to credit risk on its trade receivables. As at 31 March 2020, the Group has considered the impact of COVID-19 on the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. There were no changes to the payment period given to customers during the period, however, the Group will continue to individually assess the situation as more reliable data becomes available and accordingly may change the payment period for certain customers in the subsequent reporting periods. Refer to Note 11.2 for the estimates and assumptions used by the Group to determine ECL on its trade receivables.

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

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### 11 IMPACT OF COVID-19 (continued)

#### 11.1 Risk management (continued)

##### 11.1.2 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.

- ▶ Day to day funding is managed by monitoring future cash flows to ensure that working capital requirements can be met. This includes replenishment of funds as they mature.
- ▶ Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows.
- ▶ The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts. The Group has access to a sufficient variety of sources of funding and maintains KD 372,159 undrawn overdraft facility that is unsecured. Interest would be payable at the rate of CBK discount rate plus 200 basis points .

The Group expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its cash and short-term deposits at an amount in excess of expected cash outflows on financial liabilities.

#### 11.2 Use of estimates and assumptions

The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets is described below:

##### *Property and equipment, investment in an associate and inventories (non-financial assets)*

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

##### *Trade receivables (financial assets)*

The Group uses the simplified model in calculation the ECL for trade receivables by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables).

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

#### 11.3 Subsequent events

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.