

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

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

30 SEPTEMBER 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 30 September 2020, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-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 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 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 nine-month period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No.7 of 2010, concerning the Capital Markets Authority, and its related regulations, during the nine months period ended 30 September 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

12 November 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 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		KD	KD	KD	KD
Revenue from contracts with customers	3	837,094	1,129,857	3,154,463	4,142,015
Management fees		105,800	171,077	238,886	596,691
Rental income		238,284	230,610	699,740	690,485
Total revenue		1,181,178	1,531,544	4,093,089	5,429,191
Cost of sales		(892,703)	(1,331,580)	(3,342,106)	(4,220,714)
GROSS PROFIT		288,475	199,964	750,983	1,208,477
Other income		52,094	15,352	134,889	79,127
(Loss) gain on disposal of property and equipment		-	215,764	(34,327)	215,764
Gain on sale of intangible assets to an associate		-	25,000	-	25,000
Share of results of associates		21,727	-	25,201	(268)
Changes in fair value of equity instruments designated at fair value through profit or loss		17,271	-	17,271	-
Allowance for expected credit losses of trade receivables		(44,131)	(17,029)	(44,131)	(17,029)
Administrative expenses		(229,900)	(313,362)	(808,394)	(1,054,296)
Selling and distribution expenses		(19,535)	(157,258)	(131,109)	(514,675)
PROFIT (LOSS) BEFORE TAX		86,001	(31,569)	(89,617)	(57,900)
Income taxes from foreign operations		-	(890)	-	(1,844)
Reversal of / (Allowance for) National Labour Support Tax (NLST)		-	73	-	(811)
Reversal of / (Allowance for) Zakat		-	145	-	(45)
PROFIT (LOSS) FOR THE PERIOD		86,001	(32,241)	(89,617)	(60,600)
Attributable to:					
Equity holders of the Parent Company		86,436	(31,900)	(88,324)	(60,342)
Non-controlling interests		(435)	(341)	(1,293)	(258)
		86,001	(32,241)	(89,617)	(60,600)
BASIC AND DILUTED PROFIT (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	1.53 fils	(0.57) fils	(1.57) fils	(1.07) fils

The attached notes 1 to 12 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 September 2020

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
PROFIT (LOSS) FOR THE PERIOD	86,001	(32,241)	(89,617)	(60,600)
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations and an associate	(1,568)	6,001	(1,450)	(13,343)
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	(1,568)	6,001	(1,450)	(13,343)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>				
Changes in fair value of equity instruments designated at fair value through other comprehensive income	(16,272)	-	(16,272)	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(16,272)	-	(16,272)	-
Other comprehensive (loss) income for the period	(17,840)	6,001	(17,722)	(13,343)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	68,161	(26,240)	(107,339)	(73,943)
Attributable to:				
Equity holders of the Parent Company	68,596	(25,898)	(106,046)	(73,685)
Non-controlling interests	(435)	(342)	(1,293)	(258)
	68,161	(26,240)	(107,339)	(73,943)

The attached notes 1 to 12 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 September 2020

		(Audited)	
	30 September	31 December	30 September
	2020	2019	2019
	KD	KD	KD
Notes			
ASSETS			
Non-current assets			
Property and equipment	2,710,923	3,040,205	3,180,823
Right-of-use assets	-	500,693	1,146,797
Intangible assets	11,883	13,711	616,877
Investment in associates	154,338	128,056	129,220
Investment securities	20,673	36,945	50,235
	<u>2,897,817</u>	<u>3,719,610</u>	<u>5,123,952</u>
Current assets			
Inventories	55,316	108,139	242,051
Accounts receivable and prepayments	2,039,190	2,089,295	2,601,631
Investment securities	56,171	38,900	71,400
Cash and short-term deposits	5 1,922,771	1,463,565	1,478,551
	<u>4,073,448</u>	<u>3,699,899</u>	<u>4,393,633</u>
TOTAL ASSETS	<u>6,971,265</u>	<u>7,419,509</u>	<u>9,517,585</u>
EQUITY AND LIABILITIES			
Equity			
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	7 (223,952)	(223,952)	(223,952)
Fair value reserve	(113,384)	(97,112)	(83,822)
Foreign currency translation reserve	(375,276)	(373,826)	(396,800)
Other reserve	(513,600)	(513,600)	(513,600)
Accumulated losses	(1,674,899)	(1,586,575)	(662,785)
Equity attributable to equity holders of the Parent Company	<u>3,903,457</u>	<u>4,009,503</u>	<u>4,923,609</u>
Non-controlling interests	378	1,671	2,317
Total equity	<u>3,903,835</u>	<u>4,011,174</u>	<u>4,925,926</u>
Non-current liabilities			
Employees' end of service benefits	798,035	908,769	858,460
Lease liabilities	-	397,351	1,055,040
	<u>798,035</u>	<u>1,306,120</u>	<u>1,913,500</u>
Current liabilities			
Accounts payable and accruals	2,269,395	1,987,882	2,354,756
Lease liabilities	-	114,333	111,602
Bank overdrafts	5 -	-	211,801
	<u>2,269,395</u>	<u>2,102,215</u>	<u>2,678,159</u>
Total liabilities	<u>3,067,430</u>	<u>3,408,335</u>	<u>4,591,659</u>
TOTAL EQUITY AND LIABILITIES	<u>6,971,265</u>	<u>7,419,509</u>	<u>9,517,585</u>

Ahmad Yousef Al-Kandari
Chairman

The attached notes 1 to 12 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 September 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			Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
						Other reserve 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	-	-	-	-	-	-	-	(88,324)	(88,324)	(1,293)	(89,617)	
Other comprehensive loss for the period	-	-	-	-	(16,272)	(1,450)	-	-	(17,722)	-	(17,722)	
Total comprehensive loss for the period	-	-	-	-	(16,272)	(1,450)	-	(88,324)	(106,046)	(1,293)	(107,339)	
At 30 September 2020	5,775,000	716,137	313,431	(223,952)	(113,384)	(375,276)	(513,600)	(1,674,899)	3,903,457	378	3,903,835	
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	
Loss for the period	-	-	-	-	-	-	-	(60,342)	(60,342)	(258)	(60,600)	
Other comprehensive loss for the period	-	-	-	-	-	(13,343)	-	-	(13,343)	-	(13,343)	
Total comprehensive loss for the period	-	-	-	-	-	(13,343)	-	(60,342)	(73,685)	(258)	(73,943)	
At 30 September 2019	5,775,000	716,137	313,431	(223,952)	(83,822)	(396,800)	(513,600)	(662,785)	4,923,609	2,317	4,925,926	

The attached notes 1 to 12 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 September 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Loss before tax		(89,617)	(57,900)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation on property and equipment		308,410	335,636
Amortisation of intangible asset		1,828	-
Depreciation on right-to-use assets		-	180,975
Interest on debts and borrowings		1,157	3,026
Interest on lease liabilities		-	45,519
Provision for employees' end of service benefits		107,155	129,229
Write-down of inventories		16,905	1,500
Allowance for expected credit losses of trade receivables		44,131	17,029
Loss (gain) on disposal of items of property and equipment		34,327	(215,764)
Gain on sale of intangible assets to an associate		-	(25,000)
Changes in fair value of equity instruments designated at fair value through profit or loss		(17,271)	-
Gain on derecognition of right-of-use assets		(10,991)	-
Share of results of associates		(25,201)	268
Interest income		(8,845)	(8,029)
		361,988	406,489
<i>Working capital adjustments:</i>			
Inventories		35,918	11,403
Accounts receivable and prepayments		(26,138)	(753,126)
Accounts payable and accruals		281,513	255,204
Cash flows from (used in) operations		653,281	(80,030)
Employees' end of service benefits paid		(217,889)	(61,507)
Receipt of government grants	6	32,112	-
Net cash flows from (used in) operating activities		467,504	(141,537)
INVESTING ACTIVITIES			
Purchase of items of property and equipment		(13,455)	(244,476)
Proceeds from disposal of items of property and equipment		-	512,101
Proceeds from disposal of intangible assets		-	469,000
Payment towards investment in associates		-	(105,000)
Interest income received		8,845	8,029
Net cash flows from investing activities		(4,610)	639,654
FINANCING ACTIVITIES			
Payment of lease liabilities		-	(206,649)
Finance costs paid		(1,157)	(3,026)
Net cash flows used in financing activities		(1,157)	(209,675)
NET INCREASE IN CASH AND CASH EQUIVALENTS		461,737	288,442
Net foreign exchange differences		(2,531)	1,666
Cash and cash equivalents at 1 January		1,463,565	976,642
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	1,922,771	1,266,750
Non-cash items excluded from the interim condensed consolidated statement of cash flows:			
Transitional adjustment to lease liabilities on adoption of IFRS 16		-	1,508,691
Transitional adjustment to property and equipment on adoption of IFRS 16		-	(1,508,691)
Derecognition of right-of-use asset		(500,693)	-
Derecognition of lease liabilities		511,684	-
The attached notes 1 to 12 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 September 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 nine months ended 30 September 2020 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on ___ November 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 head office is located at Al Dhajeej and its registered postal address 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.

2.2 Summary of accounting policies for new transactions and events

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 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 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."

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.

Amendments to IFRS 16 *COVID-19 Related Rent Concessions*

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed consolidated financial information of the Group.

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

The amendments to IFRS 9 *Financial Instruments* 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 have no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

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 September 2020

3 REVENUE FROM CONTRACT WITH CUSTOMERS

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>		<i>KD</i>	
<i>Type of goods or service</i>				
<i>Revenue from rendering of services:</i>				
Catering	825,134	980,976	2,990,933	3,443,028
<i>Sale of goods:</i>				
Bakery products	11,960	148,881	163,530	698,987
	837,094	1,129,857	3,154,463	4,142,015
<i>Geographical markets:</i>				
Kuwait	837,094	1,129,857	3,154,463	4,142,015
<i>Timing of revenue recognition:</i>				
Goods transferred at a point in time	11,960	148,881	163,530	698,987
Services transferred over time	825,134	980,976	2,990,933	3,443,028
	837,094	1,129,857	3,154,463	4,142,015

4 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit (loss) 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 profit (loss) per share are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	86,436	(31,900)	(88,324)	(60,342)
Weighted average number of shares outstanding (shares) *	56,433,300	56,433,300	56,433,300	56,433,300
Basic and diluted EPS (fils)	1.53 fils	(0.57) fils	(1.57) fils	(1.07) fils

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

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.

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 September 2020

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>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Cash at bank and in hand	1,116,123	659,312	878,551
Short-term deposits	806,648	804,253	600,000
Cash and short-term deposits	1,922,771	1,463,565	1,478,551
Bank overdrafts	-	-	(211,801)
Cash and cash equivalents as per statement of cash flows	1,922,771	1,463,565	1,266,750

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.

The Group is granted an unsecured bank overdraft facility up to KD 400,000 with interest thereon at a rate of 2% over the Central Bank of Kuwait discount rate.

6 GOVERNMENT GRANT

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the period, the Parent Company has received financial support amounting to KD 32,112, which is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and is recognised in profit or loss as a deduction to 'staff costs' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs.

7 TREASURY SHARES

	<i>30 September</i> <i>2020</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i>	<i>30 September</i> <i>2019</i>
Number of shares held (shares)	1,316,700	1,316,700	1,316,700
Percentage of shares held (%)	2.33%	2.33%	2.28%
Cost (KD)	223,952	223,952	223,952
Market value (KD)	139,570	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 30 September 2020

8 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 64,232 at 30 September 2020 (31 December 2019: KD 58,900 and 30 September 2019: KD 88,900) are managed by a related party.

The following tables shows the outstanding balances with related parties:

	30 September 2020 KD	31 December 2019 KD	30 September 2019 KD
<i>Receivables from a related party</i>			
- Entity under common control	85,000	85,000	-

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>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2020 KD	2019 KD	2020 KD	2019 KD
Salaries and other short-term benefits	53,847	47,362	169,942	142,092
Post-employment benefits	4,461	4,554	14,104	13,662
	58,308	51,916	184,046	155,754

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

	<i>Balance outstanding as at (Audited)</i>		
	30 September 2020 KD	31 December 2019 KD	30 September 2019 KD
Salaries and short-term employee benefits	25,446	40,999	39,222
End of services benefits	178,736	212,070	204,088
	204,182	253,069	243,310

9 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:

- ▶ **Hotel management:** Operating and managing of hotels and resorts.
- ▶ **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)

As at and for the period ended 30 September 2020

9 SEGMENT 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	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	KD	KD	KD	KD	KD	KD	KD	KD
Revenue from contracts with customers	-	-	2,942,133	4,022,234	212,330	119,781	3,154,463	4,142,015
Management fees	238,886	596,691	-	-	-	-	238,886	596,691
Rental income	699,740	690,485	-	-	-	-	699,740	690,485
Other income	131,475	67,279	3,414	11,848	-	-	134,889	79,127
	<u>1,070,101</u>	<u>1,354,455</u>	<u>2,945,547</u>	<u>4,034,082</u>	<u>212,330</u>	<u>119,781</u>	<u>4,227,978</u>	<u>5,508,318</u>
Cost of sales	(677,942)	(744,362)	(2,497,146)	(3,313,291)	(167,018)	(163,061)	(3,342,106)	(4,220,714)
(Loss) gain on sale of property and equipment	-	-	(34,327)	215,764	-	-	(34,327)	215,764
Gain on sale of intangible assets to an associate	-	-	-	25,000	-	-	-	25,000
Share of results of associates	115	(268)	25,086	-	-	-	25,201	(268)
Changes in fair value of equity instruments designated at fair value through profit or loss	17,271	-	-	-	-	-	17,271	-
Allowance for expected credit losses of trade receivables	(44,131)	(17,029)	-	-	-	-	(44,131)	(17,029)
Administrative expenses	(428,579)	(530,321)	(372,851)	(518,002)	(6,964)	(5,973)	(808,394)	(1,054,296)
Selling and distribution expenses	-	-	(131,109)	(514,675)	-	-	(131,109)	(514,675)
Segment (loss) profit	<u>(63,165)</u>	<u>62,475</u>	<u>(64,800)</u>	<u>(71,122)</u>	<u>38,348</u>	<u>(49,253)</u>	<u>(89,617)</u>	<u>(57,900)</u>
Depreciation on property and equipment	187,746	(180,716)	120,474	(154,827)	190	(93)	308,410	(335,636)
Depreciation on right-of-use assets	-	-	-	(180,975)	-	-	-	(180,975)

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9 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				
30 September 2020	5,277,886	1,672,573	20,806	6,971,265
31 December 2019 (Audited)	4,754,837	2,644,599	20,073	7,419,509
30 September 2019	5,116,610	4,342,294	58,681	9,517,585
LIABILITIES				
30 September 2020	1,798,138	1,253,759	15,533	3,067,430
31 December 2019 (Audited)	1,484,933	1,860,579	62,823	3,408,335
30 September 2019	1,686,089	2,846,439	59,131	4,591,659

Geographically, all assets of the Group are based in the MENA region and segment income is derived from that region.

10 COMMITMENTS AND CONTINGENCIES

10.1 Commitments

The Group had no capital commitments as at the reporting date.

10.2 Contingent liabilities

At the reporting date, the Group has provided guarantees towards the performance of certain contracts amounting to KD 1,567,764 (31 December 2019: KD 1,832,764 and 30 September 2019: KD 1,747,894). No material liability is expected to arise

11 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.

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

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11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
30 September 2020			
As at 1 January 2020	36,945	38,900	75,845
Remeasurement recognised in OCI	(16,272)	-	(16,272)
Remeasurement recognised in profit or loss	-	17,271	17,271
As at 30 September 2020	<u>20,673</u>	<u>56,171</u>	<u>76,844</u>

For financial instruments classified as level 3, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or other valuation models. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, there is no material impact on the interim condensed consolidated financial information.

12 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 30 September 2020.

12.1 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 30 September 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.

12.1.1 Credit risk

The Group is mainly exposed to credit risk on its trade receivables. As at 30 September 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 12.2 for the estimates and assumptions used by the Group to determine ECL on its trade receivables.

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As at and for the period ended 30 September 2020

12 IMPACT OF COVID-19 (continued)

12.1.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. In addition, the Group's liquidity management involves the following:

- 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 overdraft facility. The Group has access to a sufficient variety of sources of funding and maintains an overdraft of KD 400,000 overdraft facility that is unsecured and can be drawn down to meet short-term financing needs. Interest would be payable at a 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.

12.2 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 September 2020

12 IMPACT OF COVID-19 (continued)

12.3 Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, the interim condensed consolidated financial information has been appropriately prepared on a going concern basis.