

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

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

31 MARCH 2021





Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74, Safat
13001 Safat, Kuwait
Baitak Tower, 18–20th Floor
Safat Square
Ahmed Al Jaber Street
Kuwait

Tel: +965 2295 5000 /
+965 2295 2880
Fax: +965 2245 6419

www.ey.com

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 2021, 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 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 three-month period ended 31 March 2021 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 three months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER AL ABDULKADER
LICENSE NO. 207 A

EY
AL AIBAN, AL OSAIMI & PARTNERS

11 May 2021
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 2021

| | Notes | Three months ended 31 March | |
|---|-------|--------------------------------|--------------------|
| | | 2021 KD | 2020 KD |
| Revenue from contract with customers | 3 | 846,607 | 1,234,792 |
| Management fees | | 71,978 | 104,963 |
| Rental income | | 285,957 | 245,954 |
| Revenue | | 1,204,542 | 1,585,709 |
| Cost of sales | | (864,455) | (1,305,089) |
| GROSS PROFIT | | 340,087 | 280,620 |
| Administrative expenses | | (236,265) | (295,384) |
| Selling and distribution expenses | | - | (71,329) |
| Operating profit (loss) | | 103,822 | (86,093) |
| Other income | 4 | 139,109 | 31,175 |
| Share of results of associates | | 22,182 | 1,766 |
| PROFIT (LOSS) BEFORE TAX | | 265,113 | (53,152) |
| Provision for National Labour Support Tax (NLST) | | (3,166) | - |
| Provision for Kuwait Foundation for Advancement of Sciences (KFAS) | | (644) | - |
| Provision for Zakat | | (280) | - |
| PROFIT (LOSS) FOR THE PERIOD | | 261,023 | (53,152) |
| Attributable to: | | | |
| Equity holders of the Parent Company | | 261,011 | (52,734) |
| Non-controlling interests | | 12 | (418) |
| | | 261,023 | (53,152) |
| BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | 5 | 4.63 fils | (0.93) fils |

The attached notes 1 to 13 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 2021

| | <i>Three months ended</i> | |
|--|---------------------------|-----------------|
| | <i>31 March</i> | |
| | 2021 | 2020 |
| | KD | KD |
| Profit (loss) for the period | 261,023 | (53,152) |
| Other comprehensive (loss) income | | |
| <i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | (1,898) | 1,596 |
| Other comprehensive (loss) income for the period | (1,898) | 1,596 |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | 259,125 | (51,556) |
| Attributable to: | | |
| Equity holders of the Parent Company | 259,113 | (51,138) |
| Non-controlling interests | 12 | (418) |
| | 259,125 | (51,556) |

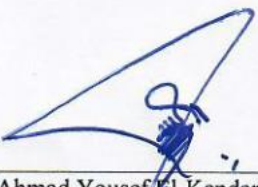
The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2021

| | | 31 March 2021 KD | (Audited) 31 December 2020 KD | 31 March 2020 KD |
|--|---|-------------------------|--|-------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property and equipment | | 1,066,426 | 2,585,969 | 2,948,251 |
| Investment properties | 6 | 1,440,836 | - | - |
| Intangible assets | | - | - | 13,711 |
| Investment in associates | | 190,252 | 168,988 | 129,822 |
| Investment securities | | 8,075 | 8,075 | 36,945 |
| | | <u>2,705,589</u> | <u>2,763,032</u> | <u>3,128,729</u> |
| Current assets | | | | |
| Inventories | | 11,808 | 11,053 | 98,659 |
| Accounts receivable and prepayments | | 1,501,202 | 1,335,782 | 2,050,423 |
| Investment securities | | 56,171 | 56,171 | 38,900 |
| Cash and cash equivalents | 7 | 2,086,697 | 2,249,815 | 1,466,817 |
| | | <u>3,655,878</u> | <u>3,652,821</u> | <u>3,654,799</u> |
| TOTAL ASSETS | | <u>6,361,467</u> | <u>6,415,853</u> | <u>6,783,528</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 | 8 | (223,952) | (223,952) | (223,952) |
| Fair value reserve | | (125,982) | (125,982) | (97,112) |
| Foreign currency translation reserve | | (374,873) | (372,975) | (372,230) |
| Other reserve | | (513,600) | (513,600) | (513,600) |
| Accumulated losses | | (1,402,554) | (1,663,565) | (1,639,309) |
| Equity attributable to equity holders of the Parent Company | | <u>4,163,607</u> | <u>3,904,494</u> | <u>3,958,365</u> |
| Non-controlling interests | | (10) | (22) | 1,253 |
| Total equity | | <u>4,163,597</u> | <u>3,904,472</u> | <u>3,959,618</u> |
| Non-current liabilities | | | | |
| Employees' end of service benefits | | 800,963 | 779,971 | 946,676 |
| | | <u>800,963</u> | <u>779,971</u> | <u>946,676</u> |
| Current liabilities | | | | |
| Trade and other payables | | 1,396,907 | 1,731,410 | 1,849,393 |
| Bank overdraft | 7 | - | - | 27,841 |
| | | <u>1,396,907</u> | <u>1,731,410</u> | <u>1,877,234</u> |
| Total liabilities | | <u>2,197,870</u> | <u>2,511,381</u> | <u>2,823,910</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>6,361,467</u> | <u>6,415,853</u> | <u>6,783,528</u> |



Ahmad Yousef El-Kandari
Chairman

The attached notes 1 to 13 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 2021

| | <i>Attributable to equity holders of the Parent Company</i> | | | | | | | | | | |
|--|---|---------------------------------|---------------------------------|-------------------------------|----------------------------------|--|-----------------------------|----------------------------------|-------------------------|---|----------------------------|
| | <i>Share capital KD</i> | <i>Statutory reserve KD</i> | <i>Voluntary Reserve KD</i> | <i>Treasury shares KD</i> | <i>Fair value reserve KD</i> | <i>Foreign currency translation reserve KD</i> | <i>Other Reserve KD</i> | <i>Accumulated losses KD</i> | <i>Sub-total KD</i> | <i>Non-controlling interests KD</i> | <i>Total equity KD</i> |
| As at 1 January 2021 | 5,775,000 | 716,137 | 313,431 | (223,952) | (125,982) | (372,975) | (513,600) | (1,663,565) | 3,904,494 | (22) | 3,904,472 |
| Profit for the period | - | - | - | - | - | - | - | 261,011 | 261,011 | 12 | 261,023 |
| Other comprehensive (loss) for the period | - | - | - | - | - | (1,898) | - | - | (1,898) | - | (1,898) |
| Total comprehensive (loss) income for the period | - | - | - | - | - | (1,898) | - | 261,011 | 259,113 | 12 | 259,125 |
| At 31 March 2021 | 5,775,000 | 716,137 | 313,431 | (223,952) | (125,982) | (374,873) | (513,600) | (1,402,554) | 4,163,607 | (10) | 4,163,597 |
| 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) |
| At 31 March 2020 | 5,775,000 | 716,137 | 313,431 | (223,952) | (97,112) | (372,230) | (513,600) | (1,639,309) | 3,958,365 | 1,253 | 3,959,618 |

The attached notes 1 to 13 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)

As at and for the period ended 31 March 2021

| | | <i>Three months ended</i> | |
|---|-------------|---------------------------|-------------|
| | | <i>31 March</i> | |
| | <i>Note</i> | <i>2021</i> | <i>2020</i> |
| | | <i>KD</i> | <i>KD</i> |
| OPERATING ACTIVITIES | | | |
| Profit (loss) before tax | | 265,113 | (53,152) |
| <i>Adjustments to reconcile profit (loss) before tax to net cash flows:</i> | | | |
| Depreciation of property and equipment | | 54,551 | 97,919 |
| Depreciation on investment properties | | 24,421 | - |
| Depreciation of right-of-use asset | | - | 19,088 |
| Amortization of intangible assets | | - | 743 |
| Derecognition of right-of-use assets | | - | (11,448) |
| Provision for employees' end of service benefits | | 29,821 | 43,816 |
| Interest income | | (11,264) | (7,010) |
| Finance cost | | - | 1,107 |
| Interest on lease liabilities | | - | 3,923 |
| Share of results of an associate | | (22,182) | (1,766) |
| | | 340,460 | 93,220 |
| <i>Working capital adjustments:</i> | | | |
| Inventories | | (755) | 9,479 |
| Accounts receivable and prepayments | | (165,420) | 38,872 |
| Trade and other payables | | (338,593) | (138,489) |
| Cash flows (used in) from operations | | (164,308) | 3,082 |
| Employees' end of service benefits paid | | (8,829) | (5,909) |
| Net cash flows used in operating activities | | (173,137) | (2,827) |
| INVESTING ACTIVITIES | | | |
| Purchase of items of property and equipment | | (265) | (6,707) |
| Interest income received | | 11,264 | 7,010 |
| Net cash flows from investing activities | | 10,999 | 303 |
| FINANCING ACTIVITIES | | | |
| Finance cost paid | | - | (1,107) |
| Payment of principal portion of lease liabilities | | - | (22,554) |
| Net cash flows used in financing activities | | - | (23,661) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (162,138) | (26,185) |
| Net foreign exchange differences | | (980) | 1,596 |
| Cash and cash equivalents at 1 January | | 2,214,237 | 1,428,065 |
| CASH AND CASH EQUIVALENTS AT 31 MARCH | 7 | 2,051,119 | 1,403,476 |
| Non-cash items excluded from the interim condensed consolidated statement of cash flows: | | | |
| Transfer of investment properties from property and equipment | 6 | 1,440,836 | - |
| Extinguishment of right-of-asset | | - | (500,693) |
| Extinguishment of lease liabilities | | - | 511,684 |

The attached notes 1 to 13 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 2021

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 2021 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 11 May 2021.

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 annual general assembly meeting (AGM) for the year ended 31 December 2020 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2020 have not yet been approved. The interim condensed consolidated financial information for the three months ended 31 March 2021 do not include any adjustments, which might have been required, had the shareholders’ during AGM requested any change in the consolidated financial statements for the year ended 31 December 2020.

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 for three-month period ended 31 March 2021 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 2020.

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 SUMMARY OF ACCOUNTING POLICIES FOR NEW TRANSACTIONS AND EVENTS

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less depreciation and impairment, if any.

Investment properties are depreciated as follows;

| | |
|----------|----------|
| Building | 15 years |
|----------|----------|

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the interim condensed consolidated statement of profit or loss in the period of derecognition.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 2021</i> | | |
|--------------------------------------|---|------------------------|----------------|
| | <i>Catering</i> | <i>Bakery products</i> | <i>Total</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| <i>Type of goods or service</i> | | | |
| Revenue from rendering of services | 846,607 | - | 846,607 |
| <i>Timing of revenue recognition</i> | | | |
| Services transferred over time | 846,607 | - | 846,607 |
| | | | |
| | <i>For the three months ended 31 March 2020</i> | | |
| | <i>Catering</i> | <i>Bakery products</i> | <i>Total</i> |
| | <i>KD</i> | <i>KD</i> | <i>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 |
| | 1,100,137 | 134,655 | 1,234,792 |
| <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 |
| | 1,100,137 | 134,655 | 1,234,792 |

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 2021

4 OTHER INCOME

| | <i>For the three months ended 31 March</i> | |
|---|--|-------------|
| | <i>2021</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> |
| Rent concession ** | 98,144 | - |
| Cleaning and maintenance services | 15,798 | - |
| Gain on derecognition of right-of-use assets and lease liabilities* | - | 11,448 |
| Chalet transfer charges | 6,000 | 10,000 |
| Interest income | 11,264 | 7,010 |
| Miscellaneous income | 7,903 | 2,717 |
| | 139,109 | 31,175 |

* During the previous period, the management has taken a decision to cease the bakery operations in a subsidiary and vacate all leased premises related to the core operations. As a result, the Group derecognised the right-of-use assets and corresponding lease liabilities. The resultant gain on derecognition recognised in profit or loss amounted to KD 11,448 as part of other income.

** Rent concession represents concessions received by the Group from its lessor as a result of COVID-19 pandemic.

5 EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share amounts are calculated by dividing the profit (loss) 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 profit (loss) per share 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 earnings (loss) per share are identical.

| | <i>For the three months ended 31 March</i> | |
|--|--|-------------|
| | <i>2021</i> | <i>2020</i> |
| Profit (loss) for the period attributable to equity holders of the Parent Company (KD) | 261,011 | (52,734) |
| Weighted average number of shares outstanding (shares) * | 56,433,300 | 56,433,300 |
| Basic and diluted earnings (loss) per share (fils) | 4.63 | (0.93) |

* 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.

6 INVESTMENT PROPERTIES

During the current interim period, the Group rented out a portion of its building, previously used for its own administrative use and classified under property and equipment to a third party. As a result, the rented-out portion under an operating lease with a net carrying amount of KD 1,440,836 has been reclassified and accounted for separately as investment properties at the date of change in use.

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 2021

6 INVESTMENT PROPERTIES (continued)

| | <i>For the three months ended 31 March</i> | |
|--|--|--------------------------|
| | 2021 <i>KD</i> | 2020 <i>KD</i> |
| Rental income derived from investment properties (included in rental income) | 38,262 | - |
| Direct operating expenses (included in cost of sales) | (41,672) | - |
| | (3,410) | - |

7 CASH AND CASH EQUIVALENTS

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

| | 31 March 2021 <i>KD</i> | <i>(Audited)</i> 31 December 2020 <i>KD</i> | 31 March 2020 <i>KD</i> |
|--|---------------------------------------|--|---------------------------------------|
| Cash at bank and in hand | 839,640 | 610,778 | 858,232 |
| Short-term deposits* | 1,247,057 | 1,639,037 | 608,585 |
| Cash and short-term deposits | 2,086,697 | 2,249,815 | 1,466,817 |
| Bank overdraft | - | - | (27,841) |
| | 2,086,697 | 2,249,815 | 1,438,976 |
| <i>Less:</i> | | | |
| Short-term deposits with original maturity of more than three months | (35,578) | (35,578) | (35,500) |
| Cash and cash equivalents as per interim condensed consolidated statement of cash flows | 2,051,119 | 2,214,237 | 1,403,476 |

* 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.

8 TREASURY SHARES

| | 31 March 2021 | <i>(Audited)</i> 31 December 2020 | 31 March 2020 |
|---------------------------|--------------------------|---|--------------------------|
| Number of shares held | 1,316,700 | 1,316,700 | 1,316,700 |
| Percentage of shares held | 2.33% | 2.33% | 2.33% |
| Cost (KD) | 223,952 | 223,952 | 223,952 |
| Market value (KD) | 80,319 | 72,419 | 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 2021

9 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 63,152 at 31 March 2021 (31 December 2020: KD 52,650 and 31 March 2020: KD 52,650) 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>2021</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> |
| Salaries and short-term employee benefits | 42,512 | 62,248 |
| End of services benefits | 3,501 | 5,181 |
| | 46,013 | 67,429 |

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>2021</i> | <i>2020</i> | <i>2020</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Salaries and short-term employee benefits | 25,918 | 25,564 | 45,920 |
| End of services benefits | 184,396 | 180,420 | 217,205 |
| | 210,314 | 205,984 | 263,125 |

10 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 and chalets and investment property
- ▶ 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 31 March 2021

10 SEGMENTAL INFORMATION (continued)

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

| | <i>Hotel management</i> | | <i>Catering and manpower supply services</i> | | <i>Information technology services</i> | | <i>Total</i> | |
|--|---------------------------------|---------------------------------|--|---------------------------------|--|---------------------------------|---------------------------------|---------------------------------|
| | <i>31 March 2021 KD</i> | <i>31 March 2020 KD</i> | <i>31 March 2021 KD</i> | <i>31 March 2020 KD</i> | <i>31 March 2021 KD</i> | <i>31 March 2020 KD</i> | <i>31 March 2021 KD</i> | <i>31 March 2020 KD</i> |
| Revenue from contracts with customers | - | - | 787,520 | 1,179,611 | 59,087 | 55,181 | 846,607 | 1,234,792 |
| Management fees | 71,978 | 104,962 | - | - | - | - | 71,978 | 104,963 |
| Net rental income | 285,957 | 245,954 | - | - | - | - | 285,957 | 245,954 |
| Other income | 131,207 | 17,007 | 7,902 | 2,720 | - | - | 139,109 | 19,727 |
| | 489,142 | 367,924 | 795,422 | 1,182,331 | 59,087 | 55,181 | 1,343,651 | 1,605,436 |
| Cost of sales | (237,824) | (261,066) | (561,996) | (975,016) | (64,635) | (69,007) | (864,455) | (1,305,089) |
| Share of results of an associate | (692) | - | 22,874 | 1,766 | - | - | 22,182 | 1,766 |
| Administrative expenses | (155,564) | (148,089) | (79,082) | (133,217) | (1,619) | (2,630) | (236,265) | (283,936) |
| Selling and distribution expenses | - | - | - | (71,329) | - | - | - | (71,329) |
| Segment profit (loss) | 95,062 | (41,231) | 177,218 | 4,535 | (7,167) | (16,456) | 265,113 | (53,152) |
| Depreciation on investment properties | 24,421 | - | - | - | - | - | 24,421 | - |
| Depreciation on property and equipment | 30,380 | 62,545 | 24,051 | 36,054 | 120 | 55 | 54,551 | 98,654 |

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 2021

10 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> |
|-----------------------------------|------------------------------------|---|---|---------------------|
| Assets | | | | |
| 31 March 2021 | 4,818,262 | 1,517,654 | 25,551 | 6,361,467 |
| <i>31 December 2020 (Audited)</i> | <i>4,912,322</i> | <i>1,482,807</i> | <i>20,724</i> | <i>6,415,853</i> |
| <i>31 March 2020</i> | <i>4,551,722</i> | <i>2,204,800</i> | <i>27,006</i> | <i>6,783,528</i> |
| Liabilities | | | | |
| 31 March 2021 | 1,316,052 | 867,480 | 14,338 | 2,197,870 |
| <i>31 December 2020 (Audited)</i> | <i>1,505,859</i> | <i>992,037</i> | <i>13,485</i> | <i>2,511,381</i> |
| <i>31 March 2020</i> | <i>1,333,002</i> | <i>1,423,997</i> | <i>66,911</i> | <i>2,823,910</i> |

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.

11 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,609,400 (31 December 2020: KD 1,019,700 and 31 March 2020: KD 1,674,122). It is anticipated that no material liabilities will arise.

12 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

12 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets:

The fair value of unlisted equity investment has 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.

13 RISK MANAGEMENT AND COVID-19

A year since the advent of the COVID 19 pandemic, various economies and sectors continue to face disruptions and uncertainty as a result of the pandemic and corresponding measures taken by the governments to contain the spread of the virus.

The Group continues to be impacted due to the outbreak and the management continues its efforts to mitigate the associated risk. The management of credit, market and liquidity risk along with the application of significant estimate and judgements are described in Note 24 to the annual audited consolidated financial statements of the Group for the year ended 31 December 2020 and no material changes have taken place in the risk management process.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena