

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

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

30 JUNE 2021



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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 June 2021, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-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 six-month period ended 30 June 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 six months period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED AL OSAIMI
LICENSE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

29 July 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 30 June 2021

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
		KD	KD	KD	KD
Revenue from contracts with customers	3	797,278	1,082,577	1,643,885	2,317,369
Management fees		81,086	28,123	153,064	133,086
Rental income		287,983	247,002	573,940	492,956
Total revenue		1,166,347	1,357,702	2,370,889	2,943,411
Cost of sales		(824,495)	(1,152,730)	(1,688,950)	(2,449,403)
GROSS PROFIT		341,852	204,972	681,939	494,008
Administrative expenses		(250,984)	(320,469)	(487,249)	(624,269)
Selling and distribution expenses		-	(40,245)	-	(111,574)
Operating profit (loss)		90,868	(155,742)	194,690	(241,835)
Other income	4	47,280	31,568	186,389	62,743
Share of results of an associate		15,367	1,708	37,549	3,474
PROFIT (LOSS) BEFORE TAX		153,515	(122,466)	418,628	(175,618)
Provision for National Labour Support Tax (NLST)		(3,191)	-	(6,357)	-
(Reversal of) provision for contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		394	-	(250)	-
Provision for zakat		280	-	-	-
PROFIT (LOSS) FOR THE PERIOD		150,998	(122,466)	412,021	(175,618)
Attributable to:					
Equity holders of the Parent Company		151,113	(122,026)	412,124	(174,760)
Non-controlling interests		(115)	(440)	(103)	(858)
		150,998	(122,466)	412,021	(175,618)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	2.68 fils	(2.16) fils	7.30 fils	(3.10) 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 30 June 2021

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit (loss) for the period	150,998	(122,466)	412,021	(175,618)
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 and an associate	(70)	(1,478)	(1,968)	118
Other comprehensive (loss) income for the period	(70)	(1,478)	(1,968)	118
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	150,928	(123,944)	410,053	(175,500)
Attributable to:				
Equity holders of the Parent Company	151,043	(123,504)	410,156	(174,642)
Non-controlling interests	(115)	(440)	(103)	(858)
	138,995	(123,944)	410,053	(175,500)

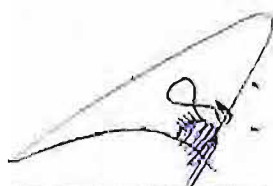
The attached notes 1 to 13 form part of this interim condensed consolidated financial information

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

	Notes	30 June 2021 KD	(Audited) 31 December 2020 KD	30 June 2020 KD
ASSETS				
Non-current assets				
Property and equipment		1,035,356	2,585,969	2,799,184
Investment property	6	1,417,303	-	-
Intangible assets		-	-	12,225
Investment in associates		255,619	168,988	131,530
Investment securities		8,075	8,075	36,945
		<u>2,716,353</u>	<u>2,763,032</u>	<u>2,979,884</u>
Current assets				
Inventories		10,169	11,053	77,308
Accounts receivable and prepayments		1,962,895	1,335,782	2,146,937
Investment securities		56,171	56,171	38,900
Cash and cash equivalent	7	1,753,178	2,249,815	1,579,973
		<u>3,782,413</u>	<u>3,652,821</u>	<u>3,843,118</u>
TOTAL ASSETS		<u>6,498,766</u>	<u>6,415,853</u>	<u>6,823,002</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		(374,943)	(372,975)	(373,708)
Other reserve		(513,600)	(513,600)	(513,600)
Accumulated losses		(1,251,441)	(1,663,565)	(1,761,335)
Equity attributable to equity holders of the Parent Company		<u>4,314,650</u>	<u>3,904,494</u>	<u>3,834,861</u>
Non-controlling interests		(125)	(22)	813
Total equity		<u>4,314,525</u>	<u>3,904,472</u>	<u>3,835,674</u>
Non-current liabilities				
Employees' end of service benefits		794,695	779,971	931,437
		<u>794,695</u>	<u>779,971</u>	<u>931,437</u>
Current liabilities				
Accounts payable and accruals		1,361,576	1,731,410	2,055,891
Bank overdraft	7	27,970	-	-
		<u>1,389,546</u>	<u>1,731,410</u>	<u>2,055,891</u>
Total liabilities		<u>2,184,241</u>	<u>2,511,381</u>	<u>2,987,328</u>
TOTAL EQUITY AND LIABILITIES		<u>6,498,766</u>	<u>6,415,853</u>	<u>6,823,002</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 30 June 2021

	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 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	-	-	-	-	-	-	-	412,124	412,124	(103)	412,021
Other comprehensive loss for the period	-	-	-	-	-	(1,968)	-	-	(1,968)	-	(1,968)
Total comprehensive (loss) income for the period	-	-	-	-	-	(1,968)	-	412,124	410,156	(103)	410,053
At 30 June 2021	5,775,000	716,137	313,431	(223,952)	(125,982)	(374,943)	(513,600)	(1,251,441)	4,314,650	(125)	4,314,525
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	-	-	-	-	-	-	-	(174,760)	(174,760)	(858)	(175,618)
Other comprehensive income for the period	-	-	-	-	-	118	-	-	118	-	118
Total comprehensive (loss) income for the period	-	-	-	-	-	118	-	(174,760)	(174,642)	(858)	(175,500)
At 30 June 2020	5,775,000	716,137	313,431	(223,952)	(97,112)	(373,708)	(513,600)	(1,761,335)	3,834,861	813	3,835,674

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 June 2021

	Note	Six months ended 30 June	
		2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit (loss) before tax		418,628	(175,618)
<i>Adjustments to reconcile profit (loss) before tax to net cash flows:</i>			
Depreciation on property and equipment		94,505	214,888
Depreciation on investment property		47,954	-
Depreciation of right-of-use asset		-	19,088
Derecognition of right-of-use assets		-	(11,448)
Finance costs		-	1,128
Provision for employees' end of service benefits		57,544	80,495
Provision for slow moving items		-	16,905
Loss (gain) on disposal of items of property and equipment		-	34,327
Share of results of an associate		(37,549)	(3,474)
Interest income		(7,687)	(6,498)
Interest on lease liabilities		-	3,923
Reversal of allowances for expected credit losses on trade receivables		(33,624)	-
		<u>539,771</u>	<u>173,716</u>
<i>Working capital adjustments:</i>			
Inventories		884	13,926
Accounts receivable and prepayments		(593,489)	(57,642)
Accounts payable and accruals		(376,441)	68,009
		<u>(429,275)</u>	<u>198,009</u>
Cash flows (used in) from operations		(429,275)	198,009
Employees' end of service benefits paid		(42,820)	(57,827)
		<u>(472,095)</u>	<u>140,182</u>
Net cash flows (used in) from operating activities			
INVESTING ACTIVITIES			
Purchase of items of property and equipment		(9,149)	(6,708)
Acquisition of an associate		(50,000)	-
Interest income		7,687	6,498
		<u>(51,462)</u>	<u>(210)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Payment of lease liabilities		-	(22,554)
Finance costs		-	(1,128)
		<u>-</u>	<u>(23,682)</u>
Net cash flows used in financing activities			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(523,557)	116,290
Net foreign exchange differences		(1,050)	118
Cash and cash equivalents at 1 January		2,214,237	1,463,565
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	<u>1,689,630</u>	<u>1,579,973</u>

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 30 June 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 six months ended 30 June 2020 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 29 July 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 shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 27 May 2021 approved the consolidated financial statements for the year ended 31 December 2020. 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 for six-month period ended 30 June 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 conform 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 on straight-line basis over the estimated useful life as follows:

Building	15 years
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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 30 June 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 contract with customers:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
<i>Unaudited</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Type of goods or service</i>				
Revenue from rendering of services:	797,278	1,065,662	1,643,885	2,165,799
Sale of goods	-	16,915	-	151,570
	<u>797,278</u>	<u>1,082,577</u>	<u>1,643,885</u>	<u>2,317,369</u>
<i>Geographical markets:</i>				
Kuwait	<u>797,278</u>	<u>1,082,577</u>	<u>1,643,885</u>	<u>2,317,369</u>
<i>Timing of revenue recognition:</i>				
Goods transferred at a point in time	-	16,915	-	151,570
Services transferred over time	797,278	1,065,662	1,643,885	2,165,799
	<u>797,278</u>	<u>1,082,577</u>	<u>1,643,885</u>	<u>2,317,369</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

4 OTHER INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Rent concession *	-	-	98,144	-
Cleaning and maintenance services	18,168	-	33,966	-
Gain on de-recognition of right-of-use assets and lease liabilities **	-	-	-	11,448
Chalet transfer charges	10,000	13,000	16,000	23,000
Gain on sale of property and equipment	14,493	-	14,493	-
Interest income	3,199	3,203	7,687	6,498
Professional services	-	15,208	6,779	15,208
Miscellaneous income	1,420	157	9,320	6,589
	<u>47,280</u>	<u>31,568</u>	<u>186,389</u>	<u>62,743</u>

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

** 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.

5 EARNINGS (LOSS) PER SHARE (EPS)

Basic earnings (loss) per share 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 earnings (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>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	151,113	(122,026)	412,124	(174,760)
Weighted average number of shares outstanding (shares) *	56,433,300	56,433,300	56,433,300	56,433,300
Basic and diluted earnings (loss) per share (fils)	<u>2.68 fils</u>	<u>(2.16) fils</u>	<u>7.30 fils</u>	<u>(3.10) fils</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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

6 INVESTMENT PROPERTY

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 1,417,303 has been reclassified and accounted for separately as investment property at the date of change in use.

	<i>For the six months ended 30 June</i>	
	<u>2021</u>	<u>2020</u>
	<u>KD</u>	<u>KD</u>
Rental income derived from investment property (included in rental income)	76,524	-
Direct operating expenses (included in cost of sales)	(82,414)	-
	<u>(5,890)</u>	<u>-</u>

7 CASH AND CASH EQUIVALENT

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

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Cash at bank and in hand	502,319	610,778	775,681
Short-term deposits*	1,250,859	1,639,037	804,292
Cash and short-term deposits	<u>1,753,178</u>	<u>2,249,815</u>	<u>1,579,973</u>
Bank overdraft	(27,970)	-	-
Short-term deposits with original maturity of more than three months	(35,578)	(35,578)	-
Cash and cash equivalents as per statement of cash flows	<u>1,689,630</u>	<u>2,214,237</u>	<u>1,579,973</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.

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. As at 30 June 2021, the undrawn facility amounted to KD 372,030.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

8 TREASURY SHARES

	<i>30 June</i> <i>2021</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i>	<i>30 June</i> <i>2020</i>
Number of shares held	<u>1,316,700</u>	<u>1,316,700</u>	<u>1,316,700</u>
Percentage of shares held	<u>2.33%</u>	<u>2.33%</u>	<u>2.33%</u>
Cost (KD)	<u>223,952</u>	<u>223,952</u>	<u>223,952</u>
Market value (KD)	<u>105,336</u>	<u>72,419</u>	<u>122,453</u>

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.

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 30 June 2021 (31 December 2020: KD 63,152 and 30 June 2020: KD 52,650) are managed by a related party.

Transactions with related parties were as follows:

	<i>30 June 2021</i>			<i>2020</i>
	<i>Major shareholder</i> <i>KD</i>	<i>Other related parties *</i> <i>KD</i>	<i>Total</i> <i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of profit or loss				
Management fees	65,221	-	65,221	53,040
Cost of sales	(9,527)	(52,800)	(62,327)	(60,327)
Administrative expenses	(6,600)	(6,909)	(13,509)	(22,731)

* Other related parties represent entities with common key management personnel and affiliates.

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</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Salaries and other short-term benefits	<u>42,512</u>	<u>53,847</u>	<u>85,024</u>	<u>116,095</u>
Post-employment benefits	<u>3,501</u>	<u>4,461</u>	<u>7,002</u>	<u>9,643</u>
	<u>46,013</u>	<u>58,308</u>	<u>92,026</u>	<u>125,738</u>

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As at and for the period ended 30 June 2021

9 RELATED PARTY DISCLOSURES (continued)

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

	<i>Balance outstanding as at</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</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	26,272	25,564	41,474
End of services benefits	188,372	180,420	222,337
	214,644	205,984	263,811

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 managing 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

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As at and for the period ended 30 June 2021

10 SEGMENTAL INFORMATION (continued)

The following table presents segment revenue and results for the period of six months ended 30 June 2021 and 30 June 2020, respectively, regarding the Group's business segments:

	Hotel management		Catering and manpower supply services		Information technology services		Total	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	KD	KD	KD	KD	KD	KD	KD	KD
Revenue from contracts with customer	-	-	1,545,767	2,226,056	98,118	91,313	1,643,885	2,317,369
Management fees	153,064	133,086	-	-	-	-	153,064	133,086
Rental income	573,940	492,956	-	-	-	-	573,940	492,956
Other income	166,407	48,421	19,982	14,322	-	-	186,389	62,743
	<u>893,411</u>	<u>674,463</u>	<u>1,565,749</u>	<u>2,240,378</u>	<u>98,118</u>	<u>91,313</u>	<u>2,557,278</u>	<u>3,006,154</u>
Cost of sales	(489,442)	(483,632)	(1,084,077)	(1,903,695)	(115,431)	(62,076)	(1,688,950)	(2,449,403)
Share of results of an associate	(692)	-	38,241	3,474	-	-	37,549	3,474
Administrative expenses	(306,114)	(300,830)	(178,028)	(300,989)	(3,107)	(22,450)	(487,249)	(624,269)
Selling and distribution expenses	-	-	-	(111,574)	-	-	-	(111,574)
Segment profit (loss)	<u>97,163</u>	<u>(109,999)</u>	<u>341,885</u>	<u>(72,406)</u>	<u>(20,420)</u>	<u>6,787</u>	<u>418,628</u>	<u>(175,618)</u>
Depreciation on investment property	(47,954)	-	-	-	-	-	(47,954)	-
Depreciation on property and equipment	(49,400)	(125,198)	(44,865)	(89,563)	(240)	(127)	(94,505)	(214,888)
	<u>(97,354)</u>	<u>(125,198)</u>	<u>(44,865)</u>	<u>(89,563)</u>	<u>(240)</u>	<u>(127)</u>	<u>(142,459)</u>	<u>(214,888)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 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				
<i>30 June 2021</i>	4,849,395	1,596,927	52,444	6,498,766
<i>31 December 2020 (Audited)</i>	4,912,322	1,482,807	20,724	6,415,853
<i>30 June 2020</i>	4,875,762	1,863,209	84,031	6,823,002
Liabilities				
<i>30 June 2021</i>	1,366,922	802,766	14,553	2,184,241
<i>31 December 2020 (Audited)</i>	1,505,859	992,037	13,485	2,511,381
<i>30 June 2020</i>	1,441,070	1,475,899	70,359	2,987,328

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 1,782,150 (31 December 2020: KD 1,019,700 and 30 June 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 30 June 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 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.

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.

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.