

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

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

30 JUNE 2022





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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 2022, 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 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 2022 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-month period ended 30 June 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI

LICENSE NO. 68 A

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AL AIBAN, AL OSAIMI & PARTNERS

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 2022

	Notes	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue from contracts with customers	3	796,274	797,278	1,573,603	1,643,885
Management fees		132,277	81,086	256,756	153,064
Rental income		296,075	287,983	573,891	573,940
Total revenue		1,224,626	1,166,347	2,404,250	2,370,889
Cost of sales		(835,893)	(824,495)	(1,648,298)	(1,688,950)
GROSS PROFIT		388,733	341,852	755,952	681,939
Administrative expenses		(244,778)	(247,461)	(483,114)	(480,998)
Operating profit		143,955	94,391	272,838	200,941
Other income	4	26,296	47,280	56,643	186,389
Share of results of an associate		(3,686)	15,367	(8,179)	37,549
PROFIT BEFORE TAX		166,565	157,038	321,302	424,879
Provision for National Labour Support Tax (NLST)		(4,543)	(3,191)	(8,975)	(6,357)
Provision for (reversal of) contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		(1,617)	(1,382)	(3,010)	(3,768)
Provision for zakat		(1,817)	(1,467)	(3,590)	(2,733)
Income tax on overseas operations		(330)	-	(1,066)	-
PROFIT FOR THE PERIOD		158,258	150,998	304,661	412,021
Attributable to:					
Equity holders of the Parent Company		158,238	151,113	304,654	412,124
Non-controlling interests		20	(115)	7	(103)
		158,258	150,998	304,661	412,021
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	2.80 fils	2.68 fils	5.40 fils	7.30 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 June 2022

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	158,258	150,998	304,661	412,021
Other comprehensive loss				
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(7,687)	(70)	(20,907)	(1,968)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(7,687)	(70)	(20,907)	(1,968)
<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	(1,942)	-	(1,360)	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(1,942)	-	(1,360)	-
Other comprehensive loss for the period	(9,629)	(70)	(22,267)	(1,968)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	148,629	150,928	282,394	410,053
Attributable to:				
Equity holders of the Parent Company	148,609	151,043	282,387	410,156
Non-controlling interests	20	(115)	7	(103)
	148,629	150,928	282,394	410,053

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 June 2022

	Notes	30 June 2022 KD	(Audited) 31 December 2021 KD	30 June 2021 KD
ASSETS				
Non-current assets				
Property and equipment		905,873	979,116	1,035,356
Investment property		1,318,249	1,366,324	1,417,303
Investment in associates		228,273	236,969	255,619
Investment securities		7,659	9,019	8,075
		<u>2,460,054</u>	<u>2,591,428</u>	<u>2,716,353</u>
Current assets				
Inventories		6,861	6,542	10,169
Accounts receivable and prepayments		1,761,177	1,213,158	1,828,561
Amount due from a related party	8	64,190	130,965	134,334
Investment securities		63,635	75,736	56,171
Cash and cash equivalents	6	2,338,804	2,810,254	1,753,178
		<u>4,234,667</u>	<u>4,236,655</u>	<u>3,782,413</u>
TOTAL ASSETS		<u>6,694,721</u>	<u>6,828,083</u>	<u>6,498,766</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		5,775,000	5,775,000	5,775,000
Statutory reserve		775,721	775,721	716,137
Voluntary reserve		373,015	373,015	313,431
Treasury shares	7	(223,952)	(223,952)	(223,952)
Fair value reserve		(126,398)	(125,038)	(125,982)
Foreign currency translation reserve		(393,876)	(372,969)	(374,943)
Other reserve		(513,600)	(513,600)	(513,600)
Accumulated losses		(1,164,403)	(1,186,892)	(1,251,441)
Equity attributable to equity holders of the Parent Company		<u>4,501,507</u>	<u>4,501,285</u>	<u>4,314,650</u>
Non-controlling interests		(279)	(286)	(125)
Total equity		<u>4,501,228</u>	<u>4,500,999</u>	<u>4,314,525</u>
Non-current liabilities				
Employees' end of service benefits		665,806	651,157	794,695
Current liabilities				
Accounts payable and accruals		1,527,687	1,606,222	1,346,620
Amounts due to related parties	8	-	69,705	42,926
		<u>1,527,687</u>	<u>1,675,927</u>	<u>1,389,546</u>
Total liabilities		<u>2,193,493</u>	<u>2,327,084</u>	<u>2,184,241</u>
TOTAL EQUITY AND LIABILITIES		<u>6,694,721</u>	<u>6,828,083</u>	<u>6,498,766</u>

Talal Sultan Al-Shehab
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 June 2022

	<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 2022	5,775,000	775,721	373,015	(223,952)	(125,038)	(372,969)	(513,600)	(1,186,892)	4,501,285	(286)	4,500,999
Profit for the period	-	-	-	-	-	-	-	304,654	304,654	7	304,661
Other comprehensive loss for the period	-	-	-	-	(1,360)	(20,907)	-	-	(22,267)	-	(22,267)
Total comprehensive (loss) income for the period	-	-	-	-	(1,360)	(20,907)	-	304,654	282,387	7	282,394
Dividend (note 12)	-	-	-	-	-	-	-	(282,165)	(282,165)	-	(282,165)
At 30 June 2022	5,775,000	775,721	373,015	(223,952)	(126,398)	(393,876)	(513,600)	(1,164,403)	4,501,507	(279)	4,501,228

	<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	-	-	-	-	-	-	-	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

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 June 2022

	Note	Six months ended 30 June	
		2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit before tax		321,302	418,628
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation on property and equipment		73,243	94,505
Depreciation on investment property		48,075	47,954
Provision for employees' end of service benefits		57,142	57,544
Gain on disposal of items of property and equipment		(4,585)	-
Unrealised loss on equity instruments designated at fair value through profit or loss		12,101	-
Share of results of an associate	/	8,179	(37,549)
Interest income		(11,279)	(7,687)
Provision for (reversal of) allowances for expected credit losses		23,600	(33,624)
		527,778	539,771
<i>Working capital adjustments:</i>			
Inventories		(319)	884
Accounts receivable and prepayments		(581,813)	(578,081)
Amount due from related parties		66,775	(15,408)
Accounts payable and accruals		(150,890)	(405,275)
Amount due to related parties		(69,705)	28,834
Cash flows used in operations		(208,174)	(429,275)
Employees' end of service benefits paid		(42,493)	(42,820)
Taxes paid		(10,728)	-
Net cash flows used in operating activities		(261,395)	(472,095)
INVESTING ACTIVITIES			
Purchase of items of property and equipment		-	(9,149)
Acquisition of an associate		-	(50,000)
Proceeds from disposal of items of property and equipment		4,585	-
Interest income		11,279	7,687
Net cash flows from (used in) investing activities		15,864	(51,462)
FINANCING ACTIVITIES			
Dividend paid		(224,525)	-
Net cash flows used in financing activities		(224,525)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(470,056)	(523,557)
Net foreign exchange differences		(1,394)	(1,050)
Cash and cash equivalents at 1 January		2,810,254	2,214,237
CASH AND CASH EQUIVALENTS AT 30 JUNE	6	2,338,804	1,689,630

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 June 2022

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 2022 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 11 August 2022.

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 Parent company is a subsidiary of Petrobrit General Trading and Contracting Company W.L.L. (“Ultimate Parent Company”) a limited liability company incorporated in Kuwait.

The shareholders of the Parent Company at the annual general assembly meeting (“AGM”) held on 17 May 2022 approved the consolidated financial statements for the year ended 31 December 2021. Dividends declared by the Parent Company for the year then ended are provided in Note 12.

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-months period ended 30 June 2022 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 consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2021.

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

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies 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 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial information of the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB’s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2022

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)****Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)**

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no modifications of the Group's financial instruments during the period.

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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
<i>Unaudited</i>	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</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;	796,274	797,278	1,573,603	1,643,885
<i>Geographical markets:</i>				
Kuwait	796,274	797,278	1,573,603	1,643,885
<i>Timing of revenue recognition:</i>				
Services transferred over time	796,274	797,278	1,573,603	1,643,885

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 2022

4 OTHER INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Rent concession	-	-	-	98,144
Cleaning and maintenance services	21,822	18,168	35,896	33,966
Chalet transfer charges	4,000	10,000	10,000	16,000
Gain on sale of property and equipment	4,290	14,493	4,585	14,493
Interest income	5,361	3,199	11,279	7,687
Unrealised loss on equity instruments designated at fair value through profit or loss	(16,052)	-	(12,101)	-
Professional services	-	-	-	6,779
Miscellaneous income	6,875	1,420	6,984	9,320
	26,296	47,280	56,643	186,389

5 EARNINGS PER SHARE (EPS)

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	158,238	151,113	304,654	412,124
Weighted average number of shares outstanding (shares) *	56,433,300	56,433,300	56,433,300	56,433,300
Basic and diluted earnings per share (fils)	2.80 fils	2.68 fils	5.40 fils	7.30 fils

* 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 2022

6 CASH AND CASH EQUIVALENTS

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

	30 June 2022 KD	<i>(Audited)</i> 31 December 2021 KD	30 June 2021 KD
Cash at bank and in hand	913,212	838,713	502,319
Short-term deposits*	1,425,592	1,971,541	1,250,859
Cash and short-term deposits	2,338,804	2,810,254	1,753,178
Bank overdraft	-	-	(27,970)
Short-term deposits with original maturity of more than six months	-	-	(35,578)
Cash and cash equivalents as per statement of cash flows	2,338,804	2,810,254	1,689,630

* Short term deposits are placed for varying periods of one month to six 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 2022, the undrawn facility amounted to KD 400,000 (31 December 2021: KD 400,000 and 30 June 2021: KD 372,030).

7 TREASURY SHARES

	30 June 2022	<i>(Audited)</i> 31 December 2021	30 June 2021
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)	151,421	92,169	105,336

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.

8 RELATED PARTY DISCLOSURES

Related parties represent associates, 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 Nil at 30 June 2022 (31 December 2021: KD 84,755 and 30 June 2021: KD 63,152) were managed by a related party.

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 2022

8 RELATED PARTY DISCLOSURES (continued)

Transactions and balances with related parties were as follows:

	<i>Six months ended</i>		<i>Total *</i>	<i>Six months ended</i>
	<i>30 June 2022</i>	<i>Other related parties</i>		<i>30 June 2021</i>
	<i>Major shareholder</i>	<i>parties</i>	<i>KD</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of profit or loss				
Revenue from contracts with customers*	-	308,522	308,522	305,236
Management fees*	72,055	-	72,055	65,221
Cost of sales*	(52,800)	-	(52,800)	(62,327)
Administrative expenses*	(23,268)	-	(23,268)	(24,548)

	<i>30 June 2022</i>		<i>(Audited)</i>	<i>30 June 2021</i>
	<i>Major shareholder</i>	<i>Associates</i>	<i>31 December 2021</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position				
Amount due from related parties	-	64,190	130,965	134,334
Amount due to related parties	-	-	69,705	42,926

* The transaction pertains to previous major shareholder who has disposed off the equity interest in the Parent Company. The transactions are disclosed till the date of the transfer.

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>Six months ended</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	44,464	42,512	88,928	85,024
Post-employment benefits	3,724	3,501	7,447	7,002
	<u>48,188</u>	<u>46,013</u>	<u>96,375</u>	<u>92,026</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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8 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>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short-term employee benefits	32,081	28,777	26,272
End of services benefits	198,423	198,882	188,372
	230,504	227,659	214,644

9 SEGMENTAL INFORMATION

For management purposes, the Group is organised into two 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2022

9 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>Total</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue from contracts with customer	-	-	1,573,603	1,643,885	1,573,603	1,643,885
Management fees	256,756	153,064	-	-	256,756	153,064
Rental income	573,891	573,940	-	-	573,891	573,940
Other income	49,606	166,407	7,037	19,982	56,643	186,389
	880,253	893,411	1,580,640	1,663,867	2,460,893	2,557,278
Cost of sales	(511,939)	(489,442)	(1,136,359)	(1,199,508)	(1,648,298)	(1,688,950)
Share of results of an associate	(1,352)	(692)	(6,827)	38,241	(8,179)	37,549
Administrative expenses	(350,044)	(306,114)	(133,070)	(181,135)	(483,114)	(487,249)
Segment profit	16,918	97,163	304,384	321,465	321,302	418,628
Depreciation on investment property	(48,075)	(47,954)	-	-	(48,075)	(47,954)
Depreciation on property and equipment	(50,746)	(49,400)	(22,497)	(45,105)	(73,243)	(94,505)
	(98,821)	(97,354)	(22,497)	(45,105)	(121,318)	(142,459)

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 2022

9 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>Total KD</i>
Assets			
30 June 2022	5,135,553	1,559,168	6,694,721
<i>31 December 2021 (Audited)</i>	<i>5,211,779</i>	<i>1,616,304</i>	<i>6,828,083</i>
<i>30 June 2021</i>	<i>4,849,395</i>	<i>1,649,371</i>	<i>6,498,766</i>
Liabilities			
30 June 2022	1,583,701	609,792	2,193,493
<i>31 December 2021 (Audited)</i>	<i>1,693,092</i>	<i>633,992</i>	<i>2,327,084</i>
<i>30 June 2021</i>	<i>1,366,942</i>	<i>817,299</i>	<i>2,184,241</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.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,226,922 (31 December 2021: KD 1,551,867 and 30 June 2021: KD 1,782,150). It is anticipated that no material liabilities will arise.

10.2 Commitments

The Group has capital commitment amounting to KD 657,880 (31 December 2021: KD 663,443 and 30 June 2021: KD 736,508) towards the renovations and operational requirement of Safir Sharm Waterfalls, Sharm El Sheikh.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2022

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

2022	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
As at 1 January	9,019	75,736	84,755
Remeasurement recognised in OCI	(1,360)	-	(1,360)
Remeasurement recognised in profit or loss	-	(12,101)	(12,101)
As at 30 June	7,659	63,635	71,294

2021	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
As at 1 January	8,075	56,171	64,246
Remeasurement recognised in OCI	944	-	944
Remeasurement recognised in profit or loss	-	19,565	19,565
As at 31 December	9,019	75,736	84,755

2021	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
As at 1 January	8,075	56,171	64,246
Remeasurement recognised in OCI	-	-	-
Remeasurement recognised in profit or loss	-	-	-
As at 30 June	8,075	56,171	64,246

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 fair value is required in subsequent reporting periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2022

12 DIVIDENDS

The annual general assembly meeting (AGM) of the shareholders of the Parent Company held on 17 May 2022 approved cash dividends of 5 fils per share aggregating to KD 282,165 for the year ended 31 December 2021 (2020: Nil). The Parent Company has paid KD 224,525 and the remaining balance amounting to KD 57,640 is shown as dividends payable under accounts payable and accruals.

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