

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

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

31 MARCH 2022





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 2022, 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 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 three-month period ended 31 March 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
EY
AL AIBAN, AL OSAIMI & PARTNERS

27 April 2022
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 2022

	Notes	Three months ended 31 March	
		2022 KD	2021 KD
Revenue from contract with customers	3	777,329	846,607
Management fees		124,479	71,978
Rental income		277,816	285,957
Revenue		1,179,624	1,204,542
Cost of sales		(812,405)	(864,455)
GROSS PROFIT		367,219	340,087
Administrative expenses		(238,336)	(233,536)
Operating profit		128,883	106,551
Other income	4	30,347	139,109
Share of (loss) profit of associates		(4,493)	22,182
PROFIT BEFORE TAX		154,737	267,842
Provision for National Labour Support Tax (NLST)		(4,432)	(3,166)
Provision for Kuwait Foundation for Advancement of Sciences (KFAS)		(1,393)	(2,387)
Provision for Zakat		(1,773)	(1,266)
Income tax on overseas operations		(736)	-
PROFIT FOR THE PERIOD		146,403	261,023
Attributable to:			
Equity holders of the Parent Company		146,416	261,011
Non-controlling interests		(13)	12
		146,403	261,023
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	2.59 fils	4.63 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 2022

	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
	KD	KD
Profit for the period	146,403	261,023
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 and an associate	(13,220)	(1,898)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(13,220)	(1,898)
<i>Other comprehensive income 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	582	-
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	582	-
Other comprehensive loss for the period	(12,638)	(1,898)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	133,765	259,125
Attributable to:		
Equity holders of the Parent Company	133,778	259,113
Non-controlling interests	(13)	12
	133,765	259,125

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Kuwait Hotels Company K.S.C.P. and its Subsidiaries
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
 POSITION (UNAUDITED)
 As at 31 March 2022

		(Audited)	
	31 March	31 December	31 March
	2022	2021	2021
Notes	KD	KD	KD
ASSETS			
Non-current assets			
Property and equipment	941,322	979,116	1,066,426
Investment property	1,342,287	1,366,324	1,440,836
Investment in associates	231,959	236,969	190,252
Investment securities	9,601	9,019	8,075
	<u>2,525,169</u>	<u>2,591,428</u>	<u>2,705,589</u>
Current assets			
Inventories	6,209	6,542	11,808
Accounts receivable and prepayments	1,400,802	1,213,158	1,310,626
Amount due from related party	8 178,431	130,965	190,576
Investment securities	79,687	75,736	56,171
Cash and cash equivalents	6 2,609,174	2,810,254	2,086,697
	<u>4,274,303</u>	<u>4,236,655</u>	<u>3,655,878</u>
TOTAL ASSETS	<u>6,799,472</u>	<u>6,828,083</u>	<u>6,361,467</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	(124,456)	(125,038)	(125,982)
Foreign currency translation reserve	(386,189)	(372,969)	(374,873)
Other reserve	(513,600)	(513,600)	(513,600)
Accumulated losses	(1,040,476)	(1,186,892)	(1,402,554)
Equity attributable to equity holders of the Parent Company	<u>4,635,063</u>	<u>4,501,285</u>	<u>4,163,607</u>
Non-controlling interests	(299)	(286)	(10)
Total equity	<u>4,634,764</u>	<u>4,500,999</u>	<u>4,163,597</u>
Non-current liabilities			
Employees' end of service benefits	674,276	651,157	800,963
Current liabilities			
Accounts payable and accruals	1,384,375	1,606,222	1,375,444
Amounts due to related parties	8 106,057	69,705	21,463
	<u>1,490,432</u>	<u>1,675,927</u>	<u>1,396,907</u>
Total liabilities	<u>2,164,708</u>	<u>2,327,084</u>	<u>2,197,870</u>
TOTAL EQUITY AND LIABILITIES	<u>6,799,472</u>	<u>6,828,083</u>	<u>6,361,467</u>


 Ahmad Yousef El-Kandari
 Chairman

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 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	-	-	-	-	-	-	-	146,416	146,416	(13)	146,403
Other comprehensive income (loss) for the period	-	-	-	-	582	(13,220)	-	-	(12,638)	-	(12,638)
Total comprehensive income (loss) for the period	-	-	-	-	582	(13,220)	-	146,416	133,778	(13)	133,765
At 31 March 2022	5,775,000	775,721	373,015	(223,952)	(124,456)	(386,189)	(513,600)	(1,040,476)	4,635,063	(299)	4,634,764

	<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

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 March 2022

	Note	Three months ended	
		31 March	
		2022	2021
		KD	KD
OPERATING ACTIVITIES			
Profit before tax		154,737	265,113
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation on property and equipment		37,794	54,551
Depreciation on investment property		24,037	24,421
Provision for employees' end of service benefits		30,214	29,821
Gain on disposal of items of property and equipment		(295)	-
Changes in fair value of equity instruments designated at fair value through profit or loss		(3,951)	-
Share of results of an associate		4,493	(22,182)
Interest income		(5,918)	(11,264)
		<u>241,111</u>	<u>340,460</u>
<i>Working capital adjustments:</i>			
Inventories		333	(755)
Accounts receivable and prepayments		(223,751)	(130,521)
Amount due from related parties		(61,446)	(34,899)
Accounts payable and accruals		(182,346)	(345,964)
Amount due to related parties		41,982	7,371
		<u>(184,117)</u>	<u>(164,308)</u>
Cash flows used in operations		(184,117)	(164,308)
Employees' end of service benefits paid		(7,095)	(8,829)
Taxes paid		(10,728)	-
		<u>(201,940)</u>	<u>(173,137)</u>
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Purchase of items of property and equipment		-	(265)
Proceeds from disposal of items of property and equipment		295	-
Interest income		5,918	11,264
		<u>6,213</u>	<u>10,999</u>
Net cash flows from investing activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(195,727)</u>	<u>(162,138)</u>
Net foreign exchange differences		(5,353)	(980)
Cash and cash equivalents at 1 January		2,810,254	2,214,237
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	<u>2,609,174</u>	<u>2,051,119</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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 three months ended 31 March 2022 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 27 April 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 annual general assembly meeting (AGM) for the year ended 31 December 2021 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 2021 have not yet been approved. The interim condensed consolidated financial information for the three months ended 31 March 2022 do not include any adjustments, which might have been required, had the AGM not approved the consolidated financial statements for the year ended 31 December 2021.

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 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 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 31 March 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>31 March</i>	
	2022	2021
	KD	KD
<i>Type of goods or service</i>		
Catering & Manpower supply	777,329	846,607
	<hr/> <hr/>	<hr/> <hr/>
<i>Geographical markets</i>		
Kuwait	777,329	846,607
	<hr/> <hr/>	<hr/> <hr/>
<i>Timing of revenue recognition</i>		
Services transferred over time	777,329	846,607
	<hr/> <hr/>	<hr/> <hr/>

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 2022

4 OTHER INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
	KD	KD
Rent concession	-	98,144
Cleaning and maintenance services	14,074	15,798
Chalet transfer charges	6,000	6,000
Unrealised gain on equity instruments designated at fair value through profit or loss	3,951	-
Interest income	5,918	11,264
Miscellaneous income	404	7,903
	30,347	139,109

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>For the three months ended</i>	
	<i>31 March</i>	
	2022	2021
Profit for the period attributable to equity holders of the Parent Company (KD)	146,416	261,011
Weighted average number of shares outstanding (shares) *	56,433,300	56,433,300
Basic and diluted earnings per share (fils)	2.59	4.63

* 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 31 March 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:

	31 March 2022 KD	<i>(Audited)</i> 31 December 2021 KD	31 March 2021 KD
Cash at bank and in hand	937,184	838,713	839,640
Short-term deposits*	1,671,990	1,971,541	1,247,057
Cash and short-term deposits	2,609,174	2,810,254	2,086,697
Short-term deposits with original maturity of more than three months	-	-	(35,578)
Cash and cash equivalents as per statement of cash flows	2,609,174	2,810,254	2,051,119

* 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 31 March 2022, the undrawn facility amounted to KD 400,000 (31 December 2021: KD 400,000 and 31 March 2021: KD 400,000).

7 TREASURY SHARES

	31 March 2022	<i>(Audited)</i> 31 December 2021	31 March 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)	161,954	92,169	80,319

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 89,288 at 31 March 2022 (31 December 2021: KD 84,755 and 31 March 2021: KD 63,152) are 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 31 March 2022

8 RELATED PARTY DISCLOSURES (continued)

Transactions with related parties were as follows:

	31 March 2022			(Audited) 31 December 2021	31 March 2021
	Major shareholder KD	Other related parties* KD	Total KD	Total KD	2021 KD
Interim condensed consolidated statement of profit or loss					
Revenue from contracts with customers	-	148,833	148,833	180,004	160,770
Management fees	31,372	-	31,372	177,384	25,053
Cost of sales	(26,400)	-	(26,400)	(105,600)	(26,400)
Administrative expenses	(13,230)	-	(13,230)	(52,781)	(14,699)
Interim condensed consolidated statement of financial position					
Amount due from related parties	-	178,431	178,431	130,965	190,576
Amount due to related parties	15,400	90,657	106,057	69,705	21,463

*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:

	Three months ended 31 March	
	2022 KD	2021 KD
Salaries and other short-term benefits	44,464	42,512
Post-employment benefits	3,723	3,501
	48,187	46,013

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

	Balance outstanding as at (Audited)		
	31 March 2022 KD	31 December 2021 KD	31 March 2021 KD
Salaries and short-term employee benefits	33,537	28,777	25,918
End of services benefits	194,710	198,882	184,396
	228,247	227,659	210,314

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

9 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 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>31 March 2022</i>	<i>31 March 2021</i>	<i>31 March 2022</i>	<i>31 March 2021</i>	<i>31 March 2022</i>	<i>31 March 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	-	-	777,329	846,607	777,329	846,607
Management fees	124,479	71,978	-	-	124,479	71,978
Rental income	277,816	285,957	-	-	277,816	285,957
Other income	30,238	131,207	109	7,902	30,347	139,109
	<u>432,533</u>	<u>489,142</u>	<u>777,438</u>	<u>854,509</u>	<u>1,209,971</u>	<u>1,343,651</u>
Cost of sales	(244,229)	(237,824)	(568,176)	(626,631)	(812,405)	(864,455)
Share of results of an associate	(1,352)	(692)	(3,141)	22,874	(4,493)	22,182
Administrative expenses	(169,021)	(155,564)	(69,316)	(77,972)	(238,336)	(233,536)
Segment profit before tax	<u>17,931</u>	<u>95,062</u>	<u>136,805</u>	<u>172,780</u>	<u>154,737</u>	<u>267,842</u>
Depreciation on investment property	24,037	24,421	-	-	24,037	24,421
Depreciation on property and equipment	26,436	30,380	11,358	24,171	37,794	54,551

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 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			
31 March 2022	5,375,106	1,424,366	6,799,472
<i>31 December 2021 (Audited)</i>	<i>5,211,779</i>	<i>1,616,304</i>	<i>6,828,083</i>
<i>31 March 2021</i>	<i>4,818,262</i>	<i>1,543,205</i>	<i>6,361,467</i>
Liabilities			
31 March 2022	1,550,113	614,595	2,164,708
<i>31 December 2021 (Audited)</i>	<i>1,693,092</i>	<i>633,992</i>	<i>2,327,084</i>
<i>31 March 2021</i>	<i>1,316,052</i>	<i>881,818</i>	<i>2,197,870</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 1,450,456 (31 December 2021: KD 1,551,867 and 31 March 2021: KD 1,609,400). It is anticipated that no material liabilities will arise.

10.2 Commitments

The Group has capital commitment amounting to KD 663,443 (31 December 2021: KD 663,443 and 31 March 2021: KD 763,050) towards the renovations and operational requirement of Sharm El Sheikh hotel in Egypt.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

11 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 fair value is required in subsequent reporting periods.

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