

INCOME STATEMENT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL HOTELS COMPANY B.S.C.

We have audited the accompanying financial statements of National Hotels Company B.S.C. ('the Company') which comprise the balance sheet as at 31 December 2007 and the statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

NATIONAL HOTELS COMPANY B.S.C. (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2007 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

We confirm that, in our opinion, proper accounting records have been kept by the Company and the financial statements, and the contents of the Report of the Board of Directors relating to these financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2007 that might have had a material adverse effect on the business of the Company or on its financial position.

National Hotels Company B.S.C.

BALANCE SHEET

31 December 2007

		2007	2006
		BD	BD
	<i>Notes</i>		<i>Restated</i>
ASSETS			
Non-current assets			
Property, plant and equipment	3	49,379,826	33,627,253
Investment in an associate	4	2,159,927	1,575,112
Available-for-sale investments	5	3,039,495	3,056,241
		54,579,248	38,258,606
Current assets			
Inventories	6	217,309	238,613
Managed portfolios	7	1,690,407	1,187,427
Available-for-sale investments	5	-	565,500
Accounts receivable and prepayments	8	918,173	677,565
Bank balances and cash	9	1,848,345	1,578,776
		4,674,234	4,247,881
TOTAL ASSETS		59,253,482	42,506,487
EQUITY AND LIABILITIES			
Equity			
Share capital	10	10,000,000	10,000,000
Treasury shares	11	(94,726)	(94,726)
Statutory reserve	12	2,678,282	2,095,513
General reserve	13	3,215,079	3,215,079
Revaluation reserve	14	27,602,997	13,124,600
Cumulative changes in fair values		2,032,099	1,954,472
Retained earnings		8,158,821	4,696,846
Proposed appropriation		1,782,949	1,188,633
Total equity		55,375,501	36,180,417
Non-current liability			
Employees' end of service benefits	16	198,950	195,097
Current liabilities			
Accounts payable and accruals	17	3,679,031	4,161,924
Bank overdrafts	9	-	1,969,049
		3,679,031	6,130,973
Total liabilities		3,877,981	6,326,070
TOTAL EQUITY AND LIABILITIES		59,253,482	42,506,487

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 13 February 2008.

National Hotels Company B.S.C.

STATEMENT OF CASH FLOWS

Year ended 31 December 2007

		2007	2006
		BD	BD
	<i>Notes</i>		<i>Restated</i>
OPERATING ACTIVITIES			
Profit for the year		5,827,693	3,024,421
Adjustments for:			
Depreciation	3	1,587,967	1,191,775
Share of profit from an associate	4	(954,815)	(754,377)
Provision for inventories		-	750
Provision for doubtful debts		-	15,822
Provision for employees' end of service benefits	16		
		59,172	49,643
Write-off of property, plant and equipment		1,648	462
Profit on disposal of available-for-sale investments	5	(18,063)	(339,529)
Net change in the value of managed portfolios		(507,229)	254,567
Dividend income		(197,698)	(267,777)
Interest on term deposits		(24,959)	(76,146)
Finance charges		39,614	51,825
Operating profit before working capital changes		5,813,330	3,151,436
Working capital changes:			
Inventories		21,304	(44,585)
Accounts receivable and prepayments		(240,608)	(203,207)
Accounts payable and accruals		126,619	723,221
Net investment in managed portfolios		4,249	(604,180)
Cash from operations		5,724,894	3,022,685
Directors' remuneration paid		(86,500)	(90,250)
Employees' end of service benefits paid	16	(55,319)	(26,595)
Finance charges paid		(39,614)	(51,825)
Net cash from operating activities		5,543,461	2,854,015
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,386,803)	(4,882,735)
Dividend received from an associate	4	370,000	330,000
Other dividends received		197,698	267,777
Interest received		24,959	76,146
Proceeds from disposal of available-for-sale investments		677,936	530,762
Net cash used in investing activities		(2,116,210)	(3,678,050)
FINANCING ACTIVITY			
Dividend paid	15 (b)	(1,188,633)	(1,089,580)
Net cash used in financing activity		(1,188,633)	(1,089,580)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,238,618	(1,913,615)
Cash and cash equivalents at 1 January		(390,273)	1,523,342
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	<u>1,848,345</u>	<u>(390,273)</u>

Non-cash item:

Liabilities towards acquisition of property, plant and equipment to the extent of BD 514,077 (2006: BD 1,481,253) were not settled as of the balance sheet date.

National Hotels Company B.S.C.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

		<i>Share capital BD</i>	<i>Treasury shares BD</i>	<i>Statutory reserve BD</i>	<i>General reserve BD</i>	<i>Revaluation reserve BD</i>	<i>Cumulative changes in fair values BD</i>	<i>Retained earnings BD</i>	<i>Proposed appropriation BD Restated</i>	<i>Total BD Restated</i>
Balance at 1 January 2006		10,000,000	(94,726)	1,782,151	3,215,079	13,124,600	2,938,175	3,174,420	1,089,580	35,229,279
Net movement in unrealised gains on available-for-sale investments		-	-	-	-	-	(983,703)	-	-	(983,703)
2005 Appropriations:										
Dividend paid	15(a)	-	-	-	-	-	-	-	(1,089,580)	(1,089,580)
Total income and expense for the year recognised directly in equity		-	-	-	-	-	(983,703)	-	-	(983,703)
Profit for the year		-	-	-	-	-	-	3,024,421	-	3,024,421
		-	-	-	-	-	(983,703)	3,024,421	(1,089,580)	951,138
2006- Proposed appropriations:										
Proposed dividend	15(a)	-	-	-	-	-	-	(1,188,633)	1,188,633	-
Transfer to statutory reserve	12	-	-	313,362	-	-	-	(313,362)	-	-
Balance at 31 December 2006		10,000,000	(94,726)	2,095,513	3,215,079	13,124,600	1,954,472	4,696,846	1,188,633	36,180,417
Balance at 1 January 2007		10,000,000	(94,726)	2,095,513	3,215,079	13,124,600	1,954,472	4,696,846	1,188,633	36,180,417

Net movement in unrealised gains on available-for-sale investments		-	-	-	-	-	77,627	-	-	77,627
2006 Appropriation:										
Dividend paid	15(a)	-	-	-	-	-	-	-	(1,188,633)	(1,188,633)
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Total income and expense for the										
year recognised directly in equity		-	-	-	-	-	77,627	-	-	77,627
Profit for the year		-	-	-	-	-	-	5,827,693	-	5,827,693
Surplus on revaluation of freehold land	14	-	-	-	-	14,478,397	-	-	-	14,478,397
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		-	-	-	-	14,478,397	77,627	5,827,693	(1,188,633)	19,195,084
2007 - Proposed appropriation:										
Proposed dividend	15(a)	-	-	-	-	-	-	(1,782,949)	1,782,949	-
Transfer to statutory reserve	12	-	-	582,769	-	-	-	(582,769)	-	-
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Balance at 31 December 2007		10,000,000	(94,726)	2,678,282	3,215,079	27,602,997	2,032,099	8,158,821	1,782,949	55,375,501