

National Hotels Company B.S.C.

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2018 (REVIEWED)

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL HOTELS COMPANY B.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of National Hotels Company B.S.C. ("the Company") as at 30 September 2018, comprising of the interim statement of financial position as at 30 September 2018 and the related interim statement of profit or loss, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the nine-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the 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 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 financial statements are not prepared, in all material respects, in accordance with IAS 34.



18 October 2018
Manama, Kingdom of Bahrain

National Hotels Company B.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2018 (Reviewed)

| | | 30 September 2018 Reviewed BD | 31 December 2017 Audited BD |
|-------------------------------------|---|--|--------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 73,610,658 | 70,621,555 |
| Investment in an associate | 5 | 7,231,994 | 7,709,859 |
| Non-current investments | 6 | 2,519,669 | 4,458,312 |
| Total non-current assets | | 83,362,218 | 82,789,726 |
| Current assets | | | |
| Inventories | | 70,432 | 90,846 |
| Current investments | 6 | 2,048,488 | 44,233 |
| Trade and other receivables | | 553,053 | 1,027,929 |
| Bank balances and cash | 7 | 200,220 | 3,188,049 |
| Total current assets | | 2,872,193 | 4,351,057 |
| TOTAL ASSETS | | 86,234,411 | 87,140,783 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 9 | 11,025,000 | 11,025,000 |
| Treasury shares | | (94,726) | (94,726) |
| Statutory reserve | | 5,512,500 | 5,512,500 |
| General reserve | | 2,190,079 | 2,190,079 |
| Revaluation reserve | | 31,206,911 | 31,206,911 |
| Investment revaluation reserve | | 1,902,457 | 1,841,100 |
| Share of reserves of associate | | 78,936 | 7,183 |
| Retained earnings | | 31,049,604 | 30,368,180 |
| Proposed dividend | 9 | - | 1,091,747 |
| Total equity | | 82,870,761 | 83,147,974 |
| Non-current liability | | | |
| Employees' end of service benefits | | 315,627 | 431,406 |
| Total non-current liability | | 315,627 | 431,406 |
| Current liabilities | | | |
| Trade and other payables | | 2,190,369 | 2,318,188 |
| Current portion of term loan | | - | 1,243,215 |
| Bank overdraft | 7 | 857,664 | - |
| Total current liabilities | | 3,048,023 | 3,561,403 |
| Total liabilities | | 3,363,650 | 3,992,809 |
| TOTAL EQUITY AND LIABILITIES | | 86,234,411 | 87,140,783 |



Mr Faisal Ahmed Al Zayani
Chairman



Mr Adel N Hamadah
Vice Chairman and Managing Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2018 (Reviewed)

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|--|------|------------------------------------|----------------|-----------------------------------|------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD |
| Gross operating revenue | | 1,622,236 | 1,637,994 | 4,625,583 | 5,683,457 |
| Gross operating costs | | (1,167,057) | (1,178,783) | (3,409,763) | (3,635,550) |
| GROSS OPERATING PROFIT | | 455,179 | 459,211 | 1,215,820 | 2,047,907 |
| Net investment income: | | | | | |
| Share of profit from an associate | 5 | 411,194 | 430,240 | 1,093,222 | 1,204,391 |
| Dividend income | 8 | 62,740 | 62,124 | 171,667 | 168,329 |
| Interest income | | 18,396 | 39,318 | 77,181 | 125,669 |
| Fair value gain on investments at fair value through profit or loss - net | 6 | 3,486 | 2,408 | 4,255 | 5,340 |
| | | 495,816 | 534,088 | 1,346,325 | 1,503,729 |
| Miscellaneous income | | 83,427 | 61,811 | 243,749 | 193,407 |
| Depreciation | | (508,390) | (516,133) | (1,525,170) | (1,543,808) |
| General and administration expenses | | (149,059) | (83,701) | (518,787) | (335,921) |
| Financial charges | | (11,471) | (23,289) | (37,670) | (89,565) |
| PROFIT FOR THE PERIOD | | 365,502 | 431,987 | 724,267 | 1,775,951 |
| BASIC AND DILUTED EARNINGS PER SHARE (in file) | 10 | 3 | 4 | 7 | 16 |

Mr Faisal Ahmed Al Zayani
Chairman

Mr Adel N. Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

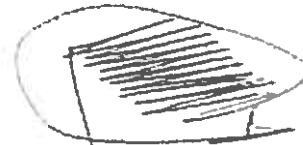
INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018 (Reviewed)

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---|---------------------------|-----------------|--------------------------|------------------|
| | <i>30 September</i> | | <i>30 September</i> | |
| | 2018 | 2017 | 2018 | 2017 |
| | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> |
| <i>Note</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> |
| Profit for the period | 365,502 | 431,987 | 724,267 | 1,775,951 |
| Other comprehensive income (loss) | | | | |
| <i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Net movement in fair values of investments at fair value through other comprehensive income during the period | 6 | - | (61,357) | 61,357 |
| Share in associate's other comprehensive income (loss) | 5 | 6,150 | (1,934) | 28,910 |
| Other comprehensive income (loss) for the period | | 6,150 | 90,267 | (191,299) |
| Total comprehensive income for the period | | 371,652 | 814,534 | 1,584,652 |



Mr Faisal Ahmed Al Zayani
Chairman



Mr Adel N Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 15 form part of these interim condensed financial statements

National Hotels Company B.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018 (Reviewed)

| | Share capital BD | Treasury shares BD | Statutory reserve BD | General reserve BD | Revaluation reserve BD | Investment revaluation reserve BD | Share of reserves of associate BD | Retained earnings BD | Proposed dividend BD | Equity BD |
|---|---------------------|-----------------------|-------------------------|-----------------------|---------------------------|--------------------------------------|--------------------------------------|-------------------------|-------------------------|-------------------|
| As at 31 December 2017 (audited) | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 31,206,911 | 1,841,100 | 7,183 | 30,368,180 | 1,091,747 | 83,147,974 |
| Transfer to retained earnings on adoption of IFRS 9 by an associate | - | - | - | - | - | - | 42,843 | (42,843) | - | - |
| As at 1 January 2018 | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 31,206,911 | 1,841,100 | 50,026 | 30,325,337 | 1,091,747 | 83,147,974 |
| Profit for the period | - | - | - | - | - | - | - | 724,267 | - | 724,267 |
| Other comprehensive income for the period (notes 5 & 6) | - | - | - | - | - | 61,357 | 28,910 | - | - | 90,267 |
| Total comprehensive income for the period | - | - | - | - | - | 61,357 | 28,910 | 724,267 | - | 814,534 |
| Dividends paid (note 9) | - | - | - | - | - | - | - | - | (1,091,747) | (1,091,747) |
| As at 30 September 2018 (reviewed) | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 31,206,911 | 1,902,457 | 78,936 | 31,049,604 | - | 82,870,761 |
| As at 31 December 2016 (audited) | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 31,206,911 | 2,224,552 | 49,392 | 29,282,547 | 1,310,097 | 82,706,352 |
| Profit for the period | - | - | - | - | - | - | - | 1,775,951 | - | 1,775,951 |
| Other comprehensive loss for the period (notes 5 & 6) | - | - | - | - | - | (184,073) | (7,226) | - | - | (191,299) |
| Total comprehensive (loss) income for the period | - | - | - | - | - | (184,073) | (7,226) | 1,775,951 | - | 1,584,652 |
| Dividends paid (note 9) | - | - | - | - | - | - | - | - | (1,310,097) | (1,310,097) |
| As at 30 September 2017 (reviewed) | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 31,206,911 | 2,040,479 | 42,166 | 31,058,498 | - | 82,980,907 |

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2018 (Reviewed)

| | | <i>Nine months ended 30 September</i> | |
|-----------------------------|--|---|-----------------|
| | | 2018 | 2017 |
| | | <i>Reviewed</i> | <i>Reviewed</i> |
| <i>Note</i> | | <i>BD</i> | <i>BD</i> |
| OPERATING ACTIVITIES | | | |
| | Profit for the period | 724,267 | 1,775,951 |
| | Adjustments for: | | |
| | Depreciation | 1,525,170 | 1,543,606 |
| | Share of profit from an associate | (1,093,222) | (1,204,391) |
| | Fair value gain on investments at fair value through profit or loss - net | (4,255) | (5,340) |
| | Dividend income | (171,667) | (168,329) |
| | Interest income | (77,181) | (125,669) |
| | Interest expense | 37,008 | 89,480 |
| | Provision for employees' end of service benefits | 74,346 | 50,095 |
| | Operating profit before working capital changes | 1,014,466 | 1,955,403 |
| | Working capital changes: | | |
| | Inventories | 20,414 | (18,755) |
| | Trade and other receivables | 493,170 | (652,190) |
| | Trade and other payables | (220,059) | (86,622) |
| | Cash flows from operations | 1,307,991 | 1,197,836 |
| | Interest paid | (37,008) | (89,480) |
| | Employees' end of service benefits paid | (190,125) | (35,714) |
| | Directors' remuneration paid | (95,000) | (179,000) |
| | Charitable contributions paid | (39,900) | (39,000) |
| | Net cash flows from operating activities | 945,958 | 854,642 |
| INVESTING ACTIVITIES | | | |
| | Purchase of property, plant and equipment | (4,132,158) | (602,942) |
| | Dividends received from an associate | 1,600,000 | 1,500,000 |
| | Other dividends received | 171,667 | 168,329 |
| | Interest received | 58,887 | 125,669 |
| | Net cash flows (used in) from investing activities | (2,301,604) | 1,191,056 |
| FINANCING ACTIVITIES | | | |
| | Repayments of term loan | (1,243,215) | (1,864,827) |
| | Dividends paid | (1,091,747) | (1,310,097) |
| | Net cash flows used in financing activities | (2,334,962) | (3,174,924) |
| | DECREASE IN CASH AND CASH EQUIVALENTS | (3,690,608) | (1,129,226) |
| | Cash and cash equivalents at 1 January | 2,927,269 | 4,581,621 |
| | CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER | (763,339) | 3,452,395 |

Non-cash items:

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 751,562 (30 September 2017: BD 125,607) with net increase of BD 382,015 during the period (30 September 2017: net increase of BD 102,973) were not settled as of the date of the interim statement of financial position.
- (ii) Unclaimed dividends pertaining to prior years amounting to BD 105,895 (30 September 2017: BD 256,804) with a net decrease of BD 154,885 (30 September 2017: net increase of BD 22,794) has been excluded from the movement of trade and other payables.
- (iii) Interest income of BD 18,294 (30 September 2017: nil) which has been accrued but is not yet due with a net increase of BD 18,294 (30 September 2017: nil) has been excluded from the movement of trade and other receivables.

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

1 CORPORATE INFORMATION

National Hotels Company B.S.C. (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 1665. The address of the registered office of the Company is P.O. Box 5243, Building 59, Road 1701, Block 317, Diplomatic Area, Kingdom of Bahrain. The Company owns the Diplomat Radisson BLU Hotel, which is managed by Rezidor Hotel Group ("Rezidor") under a 15 year management agreement dated 20 July 2000. In 2007, the Company commenced the operations of its serviced apartments, which are also managed by Rezidor under a 12 year management agreement dated 6 May 2003. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly. In 2015, the management agreement was amended to extend the period up to 31 December 2030.

The Company operates solely in the Kingdom of Bahrain.

Associate

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2017: 33.33%).

The interim condensed financial statements were authorised for issue by the Board of Directors on 18 October 2018.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Company's current liabilities exceeded its current assets by BD 175,830 as at 30 September 2018. However, the interim condensed financial statements have been prepared on a going concern basis as management considered, amongst others, the following in arriving at their conclusion:

- The Company has quoted equity investments at fair value through other comprehensive income of BD 2,208,869 at 30 September 2018 that are classified as non-current but are readily tradeable;
- The Company has unutilised overdraft facilities balance of BD 4,142,336 at 30 September 2018;
- Out of current liabilities balance of BD 3,048,023, an amount of BD 170,569 represents advances from customers and deposits that will not result in cash outflows in the future.

3 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the nine months ended 30 September 2018 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting".

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as at 31 December 2017. In addition, results for the nine months ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

The Company applies, for the first time, *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The adoption of IFRS 15 has no material impact on the Company's interim condensed financial statements.

(a) Sale of goods

The Company's contracts with customers for the sale of food and beverages generally include one performance obligation. The Company has concluded that revenue from sale of food and beverages should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the food and beverages. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(b) Room revenue

Room revenue from hotel operations represents total amounts charged to customers and guests during the period including service charges net of the portion applicable to employees as and where applicable, plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances. These services are sold either separately or bundled together with the sale of food and beverages to a customer. Under IFRS 15, the Company concluded that room revenue from hotel operations will continue to be recognised over time, commensurate with the previous accounting policy, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from the sale of the food and beverages will continue to be recognised at a point in time, upon delivery of the food and beverages.

(c) Advances received from customers

Generally, the Company receives short-term advances from its customers. Upon the adoption of IFRS 15, for short-term advances, the Company used the practical expedient. As such, the Company will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company expects, at contract inception, that the period between the time the customer pays for the good or service and when the Company transfers that promised good or service to the customer will be one year or less.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces *IAS 39 Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

3 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and reclassified the comparative information for the nine months period ended 30 September 2018 as follows:

- Equity investments previously classified as available-for-sale (AFS) have been reclassified to investments at fair value through other comprehensive income (FVOCI);
- Debt investments previously classified as AFS have been reclassified to debt instruments at amortised costs;
- Equity investments previously classified as held-for-trading have been reclassified to investments at fair value through profit or loss (FVPL).

(a) Classification and measurement

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

The new classification and measurement of the Company's debt financial assets are, as follows:

- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payments of principal and interest ("SPPI") criterion. This category includes the Company's trade and other receivables and Government Development Bonds included under investments.
- *Debt instruments at FVOCI*, with gains or losses recycled to profit or loss on derecognition. The Company does not have any debt instrument accounted in this category.

Other financial assets are classified and subsequently measured, as follows:

- *Equity investments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity investments which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified certain of its equity investments as equity investments at FVOCI. Equity investments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, these Company's quoted and unquoted equity investments were classified as AFS investments.
- *Equity investments at FVPL* comprises quoted equity investments which the Company had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, these Company's quoted equity investments were classified as held-for-trading investments.

The assessment of the Company's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

3 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payment are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The impact of adoption of IFRS 9 on the Company's interim condensed financial statements was disclosed above in this section.

The following other amendments and interpretation apply for the first time in 2018, but do not have a material impact on the interim condensed financial statements of the Company.

- *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations;*
- *Amendments to IAS 40 Transfers of Investment Property;*
- *Amendments to IFRS 2 Classification and Measurement of Share-based Payment*
- *Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;*
- *Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice; and*
- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters.*

4 PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2018, the Company incurred capital expenditure amounting to BD 4,514,173 (nine months ended 30 September 2017: BD 705,915, year ended 31 December 2017: BD 1,907,136) on its various capital expenditure projects.

No assets were written off by the Company during the nine months ended 30 September 2018 (nine months ended 30 September 2017: same, year ended 31 December 2017: BD 55,927).

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

5 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (the "Associate"), which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. African & Eastern (Bahrain) W.L.L. is a private entity that is not listed on any public exchange. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in the interim condensed financial statements.

Movements in the carrying value of the investment were as follows:

| | 30 September 2018 Reviewed BD | 31 December 2017 Audited BD | 30 September 2017 Reviewed BD |
|--|--|--|--|
| Balance at 1 January | 7,709,859 | 7,571,085 | 7,571,085 |
| Share of profit during the period / year (i) | 1,093,222 | 1,665,611 | 1,204,391 |
| Dividends received during the period / year | (1,600,000) | (1,500,000) | (1,500,000) |
| Share in associate's other comprehensive income (loss) | 28,910 | (26,837) | (7,226) |
| | 7,231,991 | 7,709,859 | 7,268,250 |

(i) Based on the reviewed interim condensed financial statements of African & Eastern (Bahrain) W.L.L., profit of BD 3,279,993 was recognised for the nine months ended 30 September 2018 (nine months ended 30 September 2017: BD 3,613,534). The Company has recognised a share of profit of BD 1,093,222 (nine months ended 30 September 2017: BD 1,204,391) in these interim condensed financial statements representing their 33.33% share.

6 INVESTMENTS

| | 30 September 2018 Reviewed BD | 31 December 2017 Audited BD |
|---|--|--|
| Debt instruments at amortised cost (i) | 2,000,000 | 2,000,000 |
| Equity investments at FVOCI | | |
| Quoted equity investments (ii) (note 14) | 2,208,869 | 2,147,512 |
| Unquoted equity investments (note 14) | 310,800 | 310,800 |
| Equity investments at FVPL | | |
| Quoted equity investments (iii) (note 14) | 48,488 | 44,233 |
| | 4,568,157 | 4,502,545 |
| Total current | 2,048,488 | 44,233 |
| Total non-current | 2,519,669 | 4,458,312 |
| | 4,568,157 | 4,502,545 |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

6 INVESTMENTS (continued)

(i) The balance relates to Government of Bahrain Development Bonds that are scheduled to mature in July 2019 and does not include accrued interest which is presented in trade and other receivables.

(ii) The movement in the quoted equity investments of FVOCI is as follows:

| | 30 September 2018 Reviewed BD | 31 December 2017 Audited BD | 30 September 2017 Reviewed BD |
|--|--|--|--|
| Balance at 1 January | 2,147,512 | 2,546,336 | 2,546,336 |
| Fair value gain (loss) - net for the period / year | 61,357 | (398,824) | (184,073) |
| | <u>2,208,869</u> | <u>2,147,512</u> | <u>2,362,263</u> |

(iii) The movement in quoted equity investments at FVPL of BD 4,255 (nine months ended 30 September 2017: BD 5,340) pertains to fair value gain - net.

For fair value hierarchy of the Company's investments, refer to note 14.

7 CASH AND CASH EQUIVALENTS

For the purpose of the interim statement of cash flows, cash and cash equivalents are comprised of the following statement of financial position amounts:

| | 30 September 2018 Reviewed BD | 31 December 2017 Audited BD | 30 September 2017 Reviewed BD |
|---------------------------|--|--|--|
| Cash on hand | 6,934 | 7,265 | 7,419 |
| Cash at bank | 193,286 | 3,180,784 | 3,701,780 |
| Bank balances and cash | <u>200,220</u> | <u>3,188,049</u> | <u>3,709,199</u> |
| Bank overdraft | (857,664) | - | - |
| Restricted cash | (105,895) | (260,780) | (256,804) |
| Cash and cash equivalents | <u>(763,339)</u> | <u>2,927,269</u> | <u>3,452,395</u> |

Restricted cash represents unclaimed dividends and has not been included in cash and cash equivalents.

The Company has two bank overdraft facilities of BD 2 million and BD 3 million, respectively, to finance working capital requirements that were granted by financial institutions in the Kingdom of Bahrain. Both facilities bear interest of 3.5% per annum above one month Bahrain Interbank Offered Rate charged monthly.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

8 SEASONALITY OF RESULTS

Dividend income of BD 171,667 for the nine months ended 30 September 2018 (nine months ended 30 September 2017: BD 168,329) may be of a seasonal nature due to usual timing of payments.

9 EQUITY

Share capital

The authorised, issued and paid-up share capital consists of 110,250,000 shares of BD 0.100 each (31 December 2017: 110,250,000 shares of BD 0.100 each).

Dividends

At the annual general meeting of the shareholders held on 29 March 2018, the shareholders of the Company resolved to distribute cash dividends of 10 fils per share totalling BD 1,091,747 that was paid in April 2018 (30 September 2017: cash dividends of 12 fils per share amounting to BD 1,310,097 that was paid in April 2017).

10 EARNINGS PER SHARE

| | <i>For the three months ended</i> | | <i>For the nine months ended</i> | |
|---|-----------------------------------|---------------------|----------------------------------|---------------------|
| | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> |
| | <i>2018</i> | <i>2017</i> | <i>2018</i> | <i>2017</i> |
| | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> |
| Profit for the period - BD | 365,502 | 431,987 | 724,267 | 1,775,951 |
| Average shares in issue - net of treasury shares | 109,174,743 | 109,174,743 | 109,174,743 | 109,174,743 |
| Basic and diluted earnings per share - in fils | 3 | 4 | 7 | 16 |

No figure for diluted earnings per share has been presented as the Company did not issue any instruments that would have a dilutive effect.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

11 SEGMENT INFORMATION

The Company's operating businesses are organised into the following segments:

| | | |
|------------------------------|---|--|
| Hotel business and corporate | - | Room rental, food and beverage sales, conference and events, and head office expenses. |
| Office towers | - | Office rental from two commercial towers. |
| Investments | - | Income from investments including an associate, current and non-current investments. |

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, current and non-current investments and accounts receivable. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two segments is allocated to segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of accounts payable, accrued liabilities and term loan.

| | Hotel business and corporate | | Office towers | | Investments | | Total | |
|--|------------------------------|-------------|---------------|-----------|-------------|-----------|-------------|-------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | Reviewed | Reviewed | Reviewed | Reviewed | Reviewed | Reviewed | Reviewed | Reviewed |
| Three months ended 30 September | BD | BD | BD | BD | BD | BD | BD | BD |
| Gross operating revenue | 1,077,390 | 1,087,596 | 544,846 | 550,398 | - | - | 1,622,236 | 1,637,994 |
| Gross operating costs | (1,014,954) | (1,029,959) | (152,103) | (148,824) | - | - | (1,167,057) | (1,178,783) |
| Gross operating profit | 62,436 | 57,637 | 392,743 | 401,574 | - | - | 455,179 | 459,211 |
| Net investment income | - | - | - | - | 495,816 | 534,088 | 495,816 | 534,088 |
| Miscellaneous income | 83,427 | 61,811 | - | - | - | - | 83,427 | 61,811 |
| Depreciation | (76,577) | (84,439) | (431,813) | (431,694) | - | - | (508,390) | (516,133) |
| General and administration expenses | (149,059) | (83,701) | - | - | - | - | (149,059) | (83,701) |
| Financial charges | (2,366) | 35,780 | (9,105) | (59,069) | - | - | (11,471) | (23,289) |
| (Loss) profit for the period | (82,139) | (12,912) | (48,175) | (89,189) | 495,816 | 534,088 | 365,502 | 431,987 |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

11 SEGMENT INFORMATION (continued)

| Nine months ended 30 September | Hotel business and corporate | | Office towers | | Investments | | Total | |
|-------------------------------------|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD |
| Gross operating revenue | 3,804,393 | 4,854,348 | 821,190 | 829,109 | - | - | 4,625,583 | 5,683,457 |
| Gross operating costs | (3,174,669) | (3,411,102) | (235,094) | (224,448) | - | - | (3,409,763) | (3,635,550) |
| Gross operating profit | 629,724 | 1,443,246 | 586,096 | 604,661 | - | - | 1,215,820 | 2,047,907 |
| Net investment income | - | - | - | - | 1,346,325 | 1,503,729 | 1,346,325 | 1,503,729 |
| Miscellaneous income | 243,749 | 193,407 | - | - | - | - | 243,749 | 193,407 |
| Depreciation | (877,450) | (897,112) | (647,720) | (646,494) | - | - | (1,525,170) | (1,543,606) |
| General and administration expenses | (518,787) | (335,921) | - | - | - | - | (518,787) | (335,921) |
| Financial charges | (27,186) | (85) | (10,484) | (89,480) | - | - | (37,670) | (89,565) |
| (Loss) profit for the period | (549,950) | 403,535 | (72,108) | (131,313) | 1,346,325 | 1,503,729 | 724,267 | 1,775,951 |

| Total assets | Hotel business and corporate | | Office towers | | Investments | | Total | |
|---------------------|------------------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | 30 September 2018 | 31 December 2017 | 30 September 2018 | 31 December 2017 | 30 September 2018 | 31 December 2017 | 30 September 2018 | 31 December 2017 |
| | Reviewed BD | Audited BD | Reviewed BD | Audited BD | Reviewed BD | Audited BD | Reviewed BD | Audited BD |
| Total assets | 47,505,701 | 47,658,662 | 26,928,562 | 27,269,717 | 11,800,148 | 12,212,404 | 86,234,411 | 87,140,783 |
| Total liabilities | 3,239,674 | 2,620,634 | 123,976 | 1,372,175 | - | - | 3,363,650 | 3,992,809 |
| Capital expenditure | 4,499,823 | 1,907,136 | 14,350 | - | - | - | 4,514,173 | 1,907,136 |

All of the sales and profit from the hotel business and office towers are earned in the Kingdom of Bahrain and investment income is earned from GCC countries including the Kingdom of Bahrain.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Associate, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Transactions with related parties included in the interim statement of profit or loss during the period are as follows:

| | <i>For the three months ended 30 September 2018 (Reviewed)</i> | | <i>For the three months ended 30 September 2017 (Reviewed)</i> | |
|------------------------------|--|--|--|-------------------------|
| | <i>Purchases BD</i> | <i>Fees for management services BD</i> | <i>Other expenses BD</i> | <i>Purchases BD</i> |
| The Associate | 15,214 | - | - | 23,050 |
| Management company (Rezidor) | - | 35,346 | - | - |
| Directors | - | - | 8,250 | - |
| | 15,214 | 35,346 | 8,250 | 23,050 |
| | | | | 2,914 |
| | | | | 2,914 |
| | | | | 11,015 |

| | <i>For the nine months ended 30 September 2018 (Reviewed)</i> | | <i>For the nine months ended 30 September 2017 (Reviewed)</i> | |
|------------------------------|---|--|---|-------------------------|
| | <i>Purchases BD</i> | <i>Fees for management services BD</i> | <i>Other expenses BD</i> | <i>Purchases BD</i> |
| The Associate | 46,018 | - | - | 69,694 |
| Management company (Rezidor) | - | 106,054 | - | - |
| Directors | - | - | 33,000 | - |
| | 46,018 | 106,054 | 33,000 | 69,694 |
| | | | | 98,017 |
| | | | | 98,017 |
| | | | | 47,853 |
| | | | | 47,853 |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances with related parties included in the interim statement of financial position are as follows:

| | <i>Trade and other receivables</i> | | <i>Trade and other payables</i> | |
|------------------------------|------------------------------------|--------------------|---------------------------------|--------------------|
| | <i>30 September</i> | <i>31 December</i> | <i>30 September</i> | <i>31 December</i> |
| | <i>2018</i> | <i>2017</i> | <i>2018</i> | <i>2017</i> |
| | <i>Reviewed</i> | <i>Audited</i> | <i>Reviewed</i> | <i>Audited</i> |
| | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> |
| The Associate | - | - | 12,825 | 15,588 |
| Management company (Rezidor) | 3,577 | 11,743 | 106,894 | 101,468 |
| Directors | - | - | 30,000 | 120,000 |
| | 3,577 | 11,743 | 149,719 | 237,056 |

Terms and conditions of transactions with related parties

Outstanding balances at the period / year end arise in the normal course of business and are unsecured, interest free and settlement occurs in cash, and are usually settled within 30 days. There have been no guarantees received or provided for any related party payables and receivable balances.

Directors' remuneration charged to interim statement of profit or loss during the nine months ended 30 September 2018 amounted to BD 30,000 (nine months ended 30 September 2017: nil). Further, the directors' remuneration paid during the period amounted to BD 95,000 (nine months ended 30 September 2017: BD 179,000).

Compensation of key management personnel

The remuneration of key management personnel, other than Directors, during the period were as follows:

| | <i>For the three months ended</i> | | <i>For the nine months ended</i> | |
|--------------------------|-----------------------------------|---------------------|----------------------------------|---------------------|
| | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> |
| | <i>2018</i> | <i>2017</i> | <i>2018</i> | <i>2017</i> |
| | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> |
| | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> |
| Short-term benefits | 45,041 | 43,708 | 131,240 | 134,177 |
| Post-employment benefits | 64,485 | 3,249 | 153,475 | 11,151 |
| | 109,526 | 46,957 | 284,715 | 145,328 |

13 COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to BD 764 thousand as of 30 September 2018 pertaining to refurbishment of hotel rooms (31 December 2017: BD 4.65 million).

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 September 2018 (Reviewed)

14 FAIR VALUE MEASUREMENT

As at 30 September 2018, the Company held the following classes of assets measured at fair value:

| | | <i>Fair value measurement using (Reviewed)</i> | | | |
|---------------------------------------|--------------------------|---|---|---|----------------------------|
| | <i>Date of valuation</i> | <i>Quoted prices in active markets (Level 1) BD</i> | <i>Significant observable inputs (Level 2) BD</i> | <i>Significant unobservable inputs (Level 3) BD</i> | <i>Total (Reviewed) BD</i> |
| Assets measured at fair value: | | | | | |
| <i>Investments at FVOCI</i> | <i>30 September 2018</i> | 2,208,869 | - | 310,800 | 2,519,669 |
| <i>Investments at FVPL</i> | <i>30 September 2018</i> | 48,488 | - | - | 48,488 |
| <i>Revalued freehold land</i> | <i>2 March 2017</i> | - | - | 31,774,218 | 31,774,218 |

As at 31 December 2017, the Company held the following classes of assets measured at fair value:

| | | <i>Fair value measurement using (Audited)</i> | | | |
|---------------------------------------|--------------------------|---|---|---|---------------------------|
| | <i>Date of valuation</i> | <i>Quoted prices in active markets (Level 1) BD</i> | <i>Significant observable inputs (Level 2) BD</i> | <i>Significant unobservable inputs (Level 3) BD</i> | <i>Total (Audited) BD</i> |
| Assets measured at fair value: | | | | | |
| <i>Investments at FVOCI</i> | <i>31 December 2017</i> | 2,147,512 | - | 310,800 | 2,458,312 |
| <i>Investments at FVPL</i> | <i>31 December 2017</i> | 44,233 | - | - | 44,233 |
| <i>Revalued freehold land</i> | <i>2 March 2017</i> | - | - | 31,774,218 | 31,774,218 |

Fair value of financial instruments is estimated based on the following methods and assumptions:

- Cash and bank balances, trade and other receivables, current portion of term loan and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these financial instruments.
- The fair values of the quoted investments are determined by reference to published price quotations in an active market.
- The fair values of unquoted equity investments have been estimated using other appropriate valuation techniques, and using of recent arm's length market transactions, or current fair value of another similar instrument as applicable.
- The fair value of freehold land has been estimated based on valuation estimates of a third party independent valuer. The valuation undertaken is based on open market value, supported by market evidence in which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuations and appropriate adjustments for liquidity and other discount factors.

During the reporting periods ended 30 September 2018 and 30 September 2017 and year ended 31 December 2017, there have been no transfers between Level 1, Level 2 and Level 3 fair value hierarchy.

There is no movement in the unquoted equity shares and revalued freehold land, therefore, reconciliation of Level 3 fair value hierarchy is not disclosed.

15 COMPARATIVE INFORMATION

Certain comparative information in the interim statement of financial position and interim statement of changes in equity have been reclassified to conform to the current period presentation, in addition to reclassifications relating to IFRS 9 adoption which are disclosed in note 3. Such reclassifications do not affect previously reported profit or equity.