

National Hotels Company B.S.C.

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2012 (UNAUDITED)

REVIEW REPORT 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 31 March 2012, comprising of the interim statement of financial position as at 31 March 2012 and the related interim condensed statements of income, comprehensive income, cash flows and changes in equity for the three months period then ended and explanatory information. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 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.



11 April 2012
Manama, Kingdom of Bahrain

National Hotels Company B.S.C.

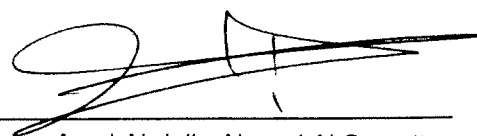
INTERIM STATEMENT OF FINANCIAL POSITION

31 March 2012 (Unaudited)

	Note	31 March 2012 Unaudited BD	31 December 2011 Audited BD
ASSETS			
Non-current assets			
Property, plant and equipment	4	74,109,956	73,977,455
Investment in an associate	5	4,591,410	4,665,596
Available-for-sale investments	6	1,844,737	1,900,517
Total non-current assets		80,546,103	80,543,568
Current assets			
Inventories		45,204	46,226
Held-for-trading investments		428,903	394,444
Trade and other receivables		607,967	508,523
Bank balances and cash	7	2,015,838	3,825,464
Total current assets		3,097,912	4,774,657
TOTAL ASSETS		83,644,015	85,318,225
EQUITY AND LIABILITIES			
Equity			
Share capital		10,000,000	10,000,000
Treasury shares		(94,726)	(94,726)
Statutory reserve		4,819,216	4,819,216
General reserve		3,215,079	3,215,079
Revaluation reserve		27,382,813	27,382,813
Available-for-sale investment reserve		1,197,894	1,242,479
Retained earnings		21,375,591	20,693,540
Proposed dividend		-	990,247
Total equity		67,895,867	68,248,648
Non-current liabilities			
Employees' end of service benefits		194,522	172,018
Borrowings	8	10,411,068	12,416,623
Total non-current liabilities		10,605,590	12,588,641
Current liabilities			
Trade and other payables		5,142,558	4,480,936
Total liabilities		15,748,148	17,069,577
TOTAL EQUITY AND LIABILITIES		83,644,015	85,318,225



Faisal Ahmed Al Zayani
Chairman



Ayad Abdulla Ahmed Al Sumait
Vice Chairman and Managing Director

The attached notes 1 to 13 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM CONDENSED STATEMENT OF INCOME

For the three months period ended 31 March 2012 (unaudited)

	<i>Note</i>	<i>Three months period ended 31 March</i>	
		2012	2011
		Unaudited BD	<i>Unaudited BD</i>
Gross operating revenue		1,561,323	1,981,697
Gross operating costs		(868,882)	(971,839)
GROSS OPERATING PROFIT		692,441	1,009,858
Net Investment income:			
Share of result from an associate	5	234,619	223,294
Dividend income		83,669	79,813
Net realised gain on sale of available-for-sale investments		-	87,613
Net changes in fair value of held-for-trading-investments		34,459	(17,333)
Interest on term deposits		8,381	33,076
		361,128	406,463
Miscellaneous income		71,104	67,675
Depreciation		(284,488)	(282,934)
General and administration expenses		(158,134)	(129,263)
PROFIT FOR THE PERIOD		682,051	1,071,799
BASIC AND DILUTED EARNINGS PER SHARE (fils)	11	6.89	10.82

The attached notes 1 to 13 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2012 (unaudited)

		<i>Three months period ended 31 March</i>	
		2012	2011
		Unaudited	<i>Unaudited</i>
<i>Note</i>		BD	<i>BD</i>
	Profit for the period	682,051	1,071,799
Other comprehensive income			
	Net movement in fair values of available-for-sale investments during the period	6	(212,977)
	Share in associate's cumulative changes in fair values	5	(53,087)
Other comprehensive loss for the period		(44,585)	(266,064)
Total comprehensive income for the period		637,466	805,735

The attached notes 1 to 13 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2012 (unaudited)

	Note	Three months period ended 31 March	
		2012 Unaudited BD	2011 Unaudited BD
OPERATING ACTIVITIES			
Profit for the period		682,051	1,071,799
Adjustments for:			
Depreciation		284,488	282,934
Share of result from an associate	5	(234,619)	(223,294)
Provision for employees' end of service benefits		27,597	14,330
Net realised gain on sale of available-for-sale investments		-	(87,613)
Net change in the value of held-for-trading investments		(34,459)	17,333
Dividend income		(83,669)	(79,813)
Interest on term deposits		(8,381)	(33,076)
		633,008	962,600
Working capital changes:			
Inventories		1,022	(837)
Trade and other receivables		(99,444)	67,151
Trade and other payables		(263,389)	72,869
Cash flows from operations		271,197	1,101,783
Employees' end of service benefits paid		(5,093)	(57,325)
Directors' remuneration paid		(144,000)	(144,000)
Net cash flows from operating activities		122,104	900,458
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(336,951)	(3,665,067)
Dividend received from an associate	5	320,000	200,000
Other dividends received		83,669	79,813
Interest received		8,381	33,076
Proceeds from disposal of available-for-sale investments		-	279,883
Term deposits with a maturity greater than 3 months (net)		1,705,545	(310,676)
Net cash flows from (used in) investing activities		1,780,644	(3,382,971)
FINANCING ACTIVITIES			
Proceeds from borrowings		203,245	3,541,202
Repayments of borrowings		(2,208,800)	(1,204,575)
Net cash flows (used in) from financing activities		(2,005,555)	2,336,627
DECREASE IN CASH AND CASH EQUIVALENTS		(102,807)	(145,886)
Cash and cash equivalents at 1 January		209,194	364,168
CASH AND CASH EQUIVALENTS AT 31 MARCH	7	106,387	218,282

Non-cash items

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 2,890,735 (31 March 2011: BD 3,014,143) were not settled as of the date of statement of financial position.
- (ii) Unclaimed dividends pertaining to prior years amounting to BD 209,600 (31 March 2011: BD 192,355) has been excluded from the movement of trade and other payables.

The attached notes 1 to 13 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2012 (unaudited)

	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Available for-sale investments reserve BD	Retained earnings BD	Proposed dividend BD	Total BD
Balance at 1 January 2012	10,000,000	(94,726)	4,819,216	3,215,079	27,382,813	1,242,479	20,693,540	990,247	68,248,648
Profit for the period	-	-	-	-	-	-	682,051	-	682,051
Other comprehensive loss for the period	-	-	-	-	-	(44,585)	-	-	(44,585)
Total comprehensive (loss) income for the period	-	-	-	-	-	(44,585)	682,051	-	637,466
Dividends declared (note 10)	-	-	-	-	-	-	-	(990,247)	(990,247)
Balance at 31 March 2012 (Unaudited)	10,000,000	(94,726)	4,819,216	3,215,079	27,382,813	1,197,894	21,375,591	-	67,895,867
Balance at 1 January 2011	10,000,000	(94,726)	4,574,246	3,215,079	27,382,813	1,319,899	19,479,060	1,980,494	67,856,865
Profit for the period	-	-	-	-	-	-	1,071,799	-	1,071,799
Other comprehensive loss for the period	-	-	-	-	-	(266,064)	-	-	(266,064)
Total comprehensive (loss) income for the period	-	-	-	-	-	(266,064)	1,071,799	-	805,735
Dividends declared (note 10)	-	-	-	-	-	-	-	(1,980,494)	(1,980,494)
Balance at 31 March 2011 (Unaudited)	10,000,000	(94,726)	4,574,246	3,215,079	27,382,813	1,053,835	20,550,859	-	66,682,106

The attached notes 1 to 13 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2012 (Unaudited)

1 ACTIVITIES

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 and Commerce under commercial registration (CR) number 1665. The postal address of the Company's registered head office is at P.O. Box 5243, Manama, 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.

The Company operates solely in the Kingdom of Bahrain.

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 11 April 2012.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the three months period ended 31 March 2012 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and rules and procedures of the Bahrain Bourse.

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 2011. In addition, results for the three months period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

Significant accounting policies

The interim condensed financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2011.

3 COMMITMENTS

The directors have authorised future capital expenditure amounting to BD nil (31 December 2011: BD 708,851) as of the statement of financial position date.

4 PROPERTY, PLANT AND EQUIPMENT

Included in the movement of property, plant and equipment for the three months ended 31 March 2012 is capital expenditure of BD 335,039 (year ended 31 December 2011: BD 6,362,476) for the construction of a commercial property. This includes capitalised interest of BD 103,245 (31 December 2011: BD 392,181). The commercial property is expected to be completed by May 2012.

5 INVESTMENT IN AN ASSOCIATE

The Company has a 33.35% interest in African & Eastern (Bahrain) W.L.L., 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. The entity is not listed on any public exchange.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2012 (Unaudited)

5 INVESTMENT IN AN ASSOCIATE (continued)

The movements during the period / year are as follows:

	31 March 2012 Unaudited BD	31 December 2011 Audited BD
At 1 January	4,665,596	4,093,340
Share of result during the period / year	234,619	984,038
Dividends received during the period / year	(320,000)	(380,000)
Share in associate's cumulative changes in fair values	11,195	(31,782)
	4,591,410	4,665,596

6 AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2012 Unaudited BD	31 December 2011 Audited BD
Equity investments:		
Quoted investments	1,533,937	1,589,717
Unquoted investments (at cost)*	310,800	310,800
	1,844,737	1,900,517

* The unquoted investments are carried at cost, as fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

The movement in the quoted available-for-sale investments is as follows:

	<i>For the three months ended</i>	
	31 March 2012 Unaudited BD	31 March 2011 Unaudited BD
Opening balance	1,589,717	1,635,355
Unrealised loss on available for sale investments	(55,780)	(212,977)
Closing balance	1,533,937	1,422,378

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2012 (Unaudited)

6 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All available-for-sale investments valued at fair value were valued under level 1 fair value hierarchy, there were no financial instruments which were fair valued under level 2 and level 3 fair value hierarchy.

During the reporting periods ended 31 March 2012 and 31 March 2011 and year ended 31 December 2011, there were no transfers within the levels of fair value hierarchy.

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following statement of financial position amounts:

	31 March 2012 Unaudited BD	31 December 2011 Audited BD	31 March 2011 Unaudited BD
Cash in hand	11,865	14,367	11,177
Cash at bank	304,122	405,701	399,460
Term deposits	1,699,851	3,405,396	3,595,246
Bank balances and cash	2,015,838	3,825,464	4,005,883
Term deposits with an original maturity of more than three months	(1,699,851)	(3,405,396)	(3,595,246)
Restricted cash	(209,600)	(210,874)	(192,355)
Cash and cash equivalents as per the statement of cash flows	106,387	209,194	218,282

Bank balances amounting to BD 209,600 (2011: BD 210,874) representing unclaimed dividends have not been included in cash and cash equivalents.

Term deposits are short term deposits, denominated in Bahraini Dinars and held with commercial banks in the Kingdom of Bahrain with an average effective interest rate of 2.75% (2011: 3.6%). These term deposits have a maturity ranging from six months to one year (31 March 2011: maturity ranging from six months to one year).

The Company has an overdraft facility amounting to BD 15,000,000 (31 March 2011: BD 15,000,000) from a commercial bank in the Kingdom of Bahrain. As of the statement of financial position date, the Company has availed a portion of the overdraft facility from the bank. Refer to note 8 for details of the overdraft facility. The overdraft balance is not treated as a cash and cash equivalents as the overdraft is restricted in its use to capital expenditure and the company is not required to repay the balance until it is converted to a term loan.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2012 (Unaudited)

8 BORROWINGS

The Company has an overdraft facility with a commercial bank in the Kingdom of Bahrain for the construction of a commercial property within the Kingdom of Bahrain. The overdraft facility amounts to BD 15 million. During the construction phase of the commercial property, the facility will be treated as an overdraft and interest will be accrued monthly at a rate of BIBOR plus 2.50% (31 December 2011: BIBOR plus 2.50%). After the completion of construction, the outstanding balance of the overdraft facility drawn will be converted into a term loan. The term loan will carry interest at the same rate as the overdraft facility and will be repayable in quarterly installments over a period of six years. The effective interest at 31 March 2012 was 3.45% (31 December 2011: 3.5%). The facility is secured by a mortgage over the freehold land and the hotel building and is restricted for use for financing the construction of the commercial property. During the three months ended 31 March 2012 interest in the amount of BD 103,245 (three months ended 31 March 2011: BD 69,483) was capitalised as part of property, plant and equipment. At 31 March 2012, the undrawn facility amount was BD 4,588,932 (31 December 2011: BD 2,583,377).

9 SEASONALITY OF RESULTS

Dividend income of BD 83,669 for the three months period ended 31 March 2012 (for the period ended 31 March 2011: BD 79,813) is of a seasonal nature.

10 DIVIDENDS

At the annual general meeting of the shareholders held on 28 March 2012, a cash dividend of 10 fils per share relating to 2011 and totaling BD 990,247 (2011: dividends of 20 fils per share relating to 2010 totaling BD 1,980,494) was declared.

11 EARNINGS PER SHARE

	<i>For the three months period ended</i>	
	31 March 2012	<i>31 March 2011</i>
	Unaudited	<i>Unaudited</i>
Profit for the period – BD	682,051	1,071,799
Average shares in issue (net of treasury shares)	99,024,710	99,024,710
Basic and diluted earnings per share – fils	6.89	10.82

No figure for diluted earnings per share has been presented as the Company has issued no instruments that would have a dilutive effect.

12 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
Investments	-	Income from investments including associate and term deposits

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2012 (Unaudited)

12 SEGMENT INFORMATION (continued)

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, available-for-sale investments, held-for-trading investments and trade receivables. 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 trade payables, accrued liabilities and borrowings.

	<i>Hotel business and corporate</i>		<i>Investments</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Three month ended 31 March						
Gross operating revenue	1,561,323	1,981,697	-	-	1,561,323	1,981,697
Gross operating costs	(868,882)	(971,839)	-	-	(868,882)	(971,839)
Gross operating profit	692,441	1,009,858	-	-	692,441	1,009,858
Investment income	-	-	361,128	406,463	361,128	406,463
Other income	71,104	67,675	-	-	71,104	67,675
Depreciation	(284,488)	(282,934)	-	-	(284,488)	(282,934)
Expenses	(158,134)	(128,329)	-	(934)	(158,134)	(129,263)
Profit for the period	320,923	666,270	361,128	405,529	682,051	1,071,799

	<i>Hotel business and corporate</i>		<i>Investments</i>		<i>Total</i>	
	31 March	31 December	31 March	31 December	31 March	31 December
	2012	2011	2012	2011	2012	2011
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Total assets	74,763,127	74,532,204	8,880,888	10,786,021	83,644,015	85,318,225
Total liabilities	15,748,148	17,069,577	-	-	15,748,148	17,069,577
Capital expenditure	416,989	6,426,420	-	-	416,989	6,426,420

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

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2012 (Unaudited)

13 RELATED PARTY TRANSACTIONS

Related parties represent the associated company, 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 management.

Transactions with related parties during the period are as follows:

	For the three months ended 31 March 2012				For the three months ended 31 March 2011			
	Purchases BD	Fees for management services BD	Other Expenses BD	Revenue and other income BD	Purchases BD	Fees for management services BD	Other Expenses BD	Revenue and other income BD
Associated company	18,422	-	-	-	19,622	-	-	-
Rezidor	-	97,310	289	980	-	74,685	952	4,042
Directors	-	-	-	1,228	-	-	-	502
	18,422	97,310	289	2,208	19,622	74,685	952	4,544

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

	31 March 2012		31 December 2011	
	Receivables BD	Payables BD	Receivables BD	Payables BD
Associated Company	-	14,368	229	15,503
Rezidor	12,236	132,177	16,170	174,472
Other related parties	245	-	-	35,094
	12,481	146,545	16,399	225,069

Faisal Ahmed Al Zayani (Chairman of the Company) holds 176,764 shares (31 March and 31 December 2011: 176,764 shares) shares in the Company as at 31 March 2012 representing a 0.18% (31 March and 31 December 2011: 0.18%) holding in the Company.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2012 (Unaudited)

13 RELATED PARTY TRANSACTIONS (continued)

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 provided for any related party payables.

Remuneration paid to the directors during the period ended 31 March 2012 amounted to BD 144,000 (31 March 2011: BD 144,000) relating to 2011 and 2010 respectively.

Compensation of key management personnel

The remuneration of key management personnel, other than directors, during the period was as follows:

	<i>For the three months ended</i>	
	<i>31 March 2011</i>	<i>31 March 2010</i>
	<i>BD</i>	<i>BD</i>
Short-term benefits	38,670	34,987
Post-employment benefits	17,146	3,406
	<u>55,816</u>	<u>38,393</u>