

National Hotels Company B.S.C.

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2014 (REVIEWED)

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 2014, comprising of the interim condensed statement of financial position as at 31 March 2014 and the related interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-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 (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.



10 April 2014
Manama, Kingdom of Bahrain

National Hotels Company B.S.C.

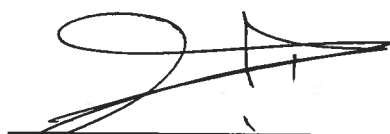
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 31 March 2014 (unaudited)

	31 March 2014 Unaudited BD	31 December 2013 Audited BD
ASSETS		
Non-current assets		
Property, plant and equipment	78,144,645	78,315,547
Investment in an associate	3 5,550,333	5,753,702
Available-for-sale investments	4 2,653,541	2,569,871
Total non-current assets	86,348,519	86,639,120
Current assets		
Inventories	51,554	62,697
Held-for-trading investments	56,028	48,766
Trade and other receivables	923,395	617,007
Bank balances and cash	5 5,860,696	5,892,366
Total current assets	6,891,673	6,620,836
TOTAL ASSETS	93,240,192	93,259,956
EQUITY AND LIABILITIES		
Equity		
Share capital	10,500,000	10,000,000
Treasury shares	(94,726)	(94,726)
Statutory reserve	5,000,000	5,000,000
General reserve	2,715,079	2,715,079
Revaluation reserve	35,604,343	35,604,343
Available-for-sale investment reserve	2,126,574	2,017,287
Retained earnings	23,791,286	23,110,831
Proposed dividend	-	1,490,247
Total equity	79,642,556	79,843,061
Non-current liabilities		
Employees' end of service benefits	309,127	284,465
Term loan	7,540,385	8,161,994
Total non-current liabilities	7,849,512	8,446,459
Current liabilities		
Trade and other payables	2,721,158	1,943,470
Current portion of term loan	3,026,966	3,026,966
Total current liabilities	5,748,124	4,970,436
Total liabilities	13,597,636	13,416,895
TOTAL EQUITY AND LIABILITIES	93,240,192	93,259,956



Faisal Ahmed Al Zayani
Chairman



Ayad Abdulla Ahmed Al Sumait
Vice Chairman and Managing Director


The attached notes 1 to 11 form part of these interim condensed financial statements.

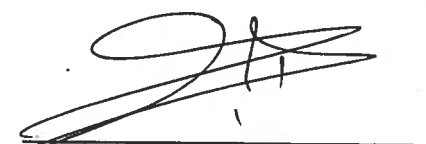
National Hotels Company B.S.C.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2014 (unaudited)

	Note	Three months ended	
		31 March	
		2014	2013
		Unaudited	Unaudited
		BD	BD
Gross operating revenue		1,935,464	2,285,125
Gross operating costs		(1,026,328)	(1,100,440)
GROSS OPERATING PROFIT		909,136	1,184,685
Net Investment income:			
Share of result of an associate	3	271,014	293,880
Dividend income	6	86,273	85,790
Net changes in fair value of held-for-trading-investments		7,262	734
Profit on disposal of held-for-trading investments		-	25,584
Interest on term deposits		16,925	22,286
		381,474	428,274
Miscellaneous income		96,250	67,197
Depreciation		(446,414)	(486,716)
General and administration expenses		(161,803)	(130,823)
Financial charges		(98,188)	(123,863)
PROFIT FOR THE PERIOD		680,455	938,754
BASIC AND DILUTED EARNINGS PER SHARE (fils)	8	7	9


 Faisal Ahmed Al Zayani
 Chairman


 Ayad Abdulla Ahmed Al Sumait
 Vice Chairman and Managing Director

The attached notes 1 to 11 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014 (reviewed)

		<i>Three months ended</i>	
		<i>31 March</i>	
		2014	2013
		Reviewed	Reviewed
<i>Note</i>		BD	BD
	Profit for the period	680,455	938,754
	Other comprehensive income		
	<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
	Net movement in fair values of available-for-sale investments during the period	4 83,670	97,614
	Share in associate's cumulative changes in fair values	3 25,617	(7,616)
	Other comprehensive income for the period	109,287	89,998
	Total comprehensive income for the period	789,742	1,028,752

The attached notes 1 to 11 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2014 (reviewed)

	Note	Three months ended 31 March	
		2014 Reviewed BD	2013 Reviewed BD
OPERATING ACTIVITIES			
Profit for the period		680,455	938,754
Adjustments for:			
Depreciation		446,414	486,716
Share of result of an associate	3	(271,014)	(293,880)
Provision for employees' end of service benefits		26,273	26,017
Net change in the fair value of held-for-trading		(7,262)	(734)
Profit on disposal of held-for-trading investments		-	(25,584)
Dividend income		(86,273)	(85,790)
Interest on term deposits		(16,925)	(22,286)
		771,668	1,023,213
Working capital changes:			
Inventories		11,143	(3,156)
Trade and other receivables		(306,388)	(123,207)
Trade and other payables		64,088	(50,152)
Cash flows from operations		540,511	846,698
Employees' end of service benefits paid		(1,611)	(1,859)
Directors' remuneration paid		(146,000)	(62,000)
Net cash flows from operating activities		392,900	782,839
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(434,045)	(111,088)
Proceeds from disposal of property, plant and equipment		29,000	-
Dividend received from an associate	3	500,000	447,000
Other dividends received		86,273	85,790
Interest received		16,925	22,286
Proceeds from disposal of held-for-trading investments		-	373,872
Term deposits with maturity of greater than 3 months (net)		-	487,031
Net cash flows from investing activities		198,153	1,304,891
FINANCING ACTIVITY			
Repayments of term loan and cash flow used in financing activity		(621,609)	(621,609)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(30,556)	1,466,121
Cash and cash equivalents at 1 January		5,672,289	1,000,987
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	5,641,733	2,467,108

Non-cash items

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 122,965 (31 March 2013: BD 1,785,373) were not settled as of the date of interim condensed statement of financial position. During the period, BD 197,351 (31 March 2013: BD 90,628) was paid in cash relating to prior period purchase of property, plant and equipment.
- (ii) Declared dividends pertaining to year ended 31 December 2013 amounting to BD 990,247 has been excluded from the movement of trade and other payables.

The attached notes 1 to 11 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 ended 31 March 2014 (reviewed)

	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
As at 1 January 2014	10,000,000	(94,726)	5,000,000	2,715,079	35,604,343	2,017,287	23,110,831	1,490,247	79,843,061
Profit for the period	-	-	-	-	-	-	680,455	-	680,455
Other comprehensive income for the period	-	-	-	-	-	109,287	-	-	109,287
Total comprehensive income for the period	-	-	-	-	-	109,287	680,455	-	789,742
Issue of bonus shares (note 7)	500,000	-	-	-	-	-	-	(500,000)	-
Dividends declared (note 7)	-	-	-	-	-	-	-	(990,247)	(990,247)
As at 31 March 2014 (reviewed)	10,500,000	(94,726)	5,000,000	2,715,079	35,604,343	2,126,574	23,791,286	-	79,642,556
As at 1 January 2013	10,000,000	(94,726)	5,000,000	3,215,079	27,382,813	1,397,172	21,560,621	990,247	69,451,206
Profit for the period	-	-	-	-	-	-	938,754	-	938,754
Other comprehensive income for the period	-	-	-	-	-	89,998	-	-	89,998
Total comprehensive income for the period	-	-	-	-	-	89,998	938,754	-	1,028,752
Dividends declared (note 7)	-	-	-	-	-	-	-	(990,247)	(990,247)
As at 31 March 2013 (reviewed)	10,000,000	(94,726)	5,000,000	3,215,079	27,382,813	1,487,170	22,499,375	-	69,489,711

The attached notes 1 to 11 form part of these interim condensed financial statements.

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 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. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly.

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 10 April 2014.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the three months ended 31 March 2014 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 2013.

In addition, results for the three months ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

As required by IAS 34, the nature and the impact of each new standard or amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Company, since none of the investments held by the Company qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2014 (reviewed)

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the Company.

Several other new standards and amendments apply for the first time in 2014. However, they do not impact the annual financial statements of the Company or the interim condensed financial statements of the Company.

3 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% 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. 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.

The movements during the period / year were as follows:

	31 March 2014 Reviewed BD	31 December 2013 Audited BD	31 March 2013 Reviewed BD
At 1 January	5,753,702	5,289,027	5,289,027
Share of profit during the period / year	271,014	1,099,355	293,880
Dividends received during the period / year	(500,000)	(697,000)	(447,000)
Share in associate's cumulative changes in fair values	25,617	62,320	(7,616)
	5,550,333	5,753,702	5,128,291

4 AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2014 Reviewed BD	31 December 2013 Audited BD
Equity investments:		
Quoted investments	2,342,741	2,259,071
Unquoted investments (at cost)*	310,800	310,800
	2,653,541	2,569,871

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

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2014 (reviewed)

4 AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

	31 March 2014 Reviewed BD	31 December 2013 Audited BD	31 March 2013 Reviewed BD
Opening balance	2,259,071	1,701,276	1,701,276
Unrealised gain on available for sale investments	83,670	557,795	97,614
Closing balance	2,342,741	2,259,071	1,798,890

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 (note 11).

5 CASH AND CASH EQUIVALENTS

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

	31 March 2014 Reviewed BD	31 December 2013 Audited BD	31 March 2013 Reviewed BD
Cash on hand	7,512	7,552	7,516
Cash at bank	2,032,392	1,786,937	2,674,189
Term deposits	3,820,792	4,097,877	4,038,414
Bank balances and cash	5,860,696	5,892,366	6,720,119
Term deposits with original maturity of more than three months	-	-	(4,038,414)
Restricted cash	(218,963)	(220,077)	(214,597)
Cash and cash equivalents as per the interim condensed statement of cash flows	5,641,733	5,672,289	2,467,108

Bank balances amounting to BD 218,963 (2013: BD 220,077) 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 1.5% (2013: 1.8%). These term deposits have original maturities ranging from one month to three months (31 March 2013: maturities ranging from one month to three months).

6 SEASONALITY OF RESULTS

Dividend income of BD 86,273 for the three months ended 31 March 2014 (for the period ended 31 March 2013: BD 85,790) is of a seasonal nature.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2014 (reviewed)

7 DIVIDENDS

At the annual general meeting of the shareholders held on 27 March 2014, the shareholders of the Company resolved to distribute cash dividends of 10 fils per share amounting to BD 990,247 from retained earnings and bonus shares from the general reserve at 5 bonus shares for each 100 shares held totalling to 5,000,000 bonus shares with a nominal value of BD 500,000 (2013: cash dividends of 10 fils per share amounted to BD 990,247).

8 EARNINGS PER SHARE

	<i>For the three months ended</i>	
	31 March	31 March
	2014	2013
	Reviewed	Reviewed
Profit for the period – BD	680,455	938,754
Average shares in issue (net of treasury shares)	104,024,710	104,024,710
Basic and diluted earnings per share – fils	7	9

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

31 March 2014 (reviewed)

9 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 associate, held-for-trading investments, available-for-sale investments and term deposits.

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 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	BD	BD	BD	BD	BD	BD	BD	BD
Gross operating revenue	1,753,946	2,261,635	181,518	23,490	-	-	1,935,464	2,285,125
Gross operating costs	(988,856)	(1,075,346)	(37,472)	(25,094)	-	-	(1,026,328)	(1,100,440)
Gross operating profit	765,090	1,186,289	144,046	(1,604)	-	-	909,136	1,184,685
Investment income (net)	-	-	-	-	381,474	428,274	381,474	428,274
Other income	96,250	67,197	-	-	-	-	96,250	67,197
Depreciation	(234,231)	(271,542)	(212,183)	(215,174)	-	-	(446,414)	(486,716)
Expenses	(161,803)	(130,823)	-	-	-	-	(161,803)	(130,823)
Financial Charges	-	-	(98,188)	(123,863)	-	-	(98,188)	(123,863)
Net profit / (loss) for the period	465,306	851,121	(166,325)	(340,641)	381,474	428,274	680,455	938,754

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2014 (reviewed)

9 SEGMENT INFORMATION (continued)

	Hotel business and corporate		Office towers		Investments		Total	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	Reviewed BD	Audited BD	Reviewed BD	Audited BD	Reviewed BD	Audited BD	Reviewed BD	Audited BD
Total assets	52,201,522	52,234,277	26,918,072	26,760,974	14,120,598	14,264,705	93,240,192	93,259,956
Total liabilities	2,834,989	1,992,107	10,762,647	11,424,788	-	-	13,597,636	13,416,895
Capital expenditure	49,990	122,593	44,000	54,520	-	-	93,990	177,113

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.

10 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 included in the interim condensed statement of profit or loss during the period are as follows:

	For the three months ended 31 March 2014				For the three months ended 31 March 2013			
	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	15,702	-	-	98	16,243	-	-	38,640
Rezidor	-	58,061	-	4,192	-	87,098	-	-
Directors	-	-	15,210	5,887	-	-	-	19,911
	15,702	58,061	15,210	10,177	16,243	87,098	-	58,551

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2014 (reviewed)

10 RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2014		31 December 2013	
	Receivables BD	Payables BD	Receivables BD	Payables BD
Associated Company	-	7,084	-	12,901
Rezidor	12,576	182,285	12,576	203,843
Directors	-	26,000	-	-
	12,576	215,369	12,576	216,744

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.

Compensation of key management personnel

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

	For the three months ended	
	31 March 2014 Reviewed BD	31 March 2013 Reviewed BD
Short-term benefits	40,602	39,173
Post-employment benefits	10,447	6,055
	51,049	45,228

11 FAIR VALUE MEASUREMENT

As at 31 March 2014, the Company held the following classes of assets measured at fair value:

	Date of valuation	Fair value measurement using			Total BD
		Quoted prices in active markets (Level 1) BD	Significant observable inputs (Level 2) BD	Significant unobservable inputs (Level 3) BD	
Assets measured at fair value:					
Available-for-sale investments	31 March 2014	2,342,741	-	-	2,342,741
Held-for-trading investments	31 March 2014	56,028	-	-	56,028
Revalued freehold land	31 December 2013	-	-	36,171,650	36,171,650

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2014 (reviewed)

11 FAIR VALUE MEASUREMENT (continued)

As at 31 December 2013, the Company held the following classes of assets measured at fair value:

	Date of valuation	Fair value measurement using			Total BD
		Quoted prices in active markets (Level 1) BD	Significant observable inputs (Level 2) BD	Significant unobservable inputs (Level 3) BD	
Assets measured at fair value:					
Available-for-sale investments	31 December 2013	2,259,071	-	-	2,259,071
Held-for-trading investments	31 December 2013	48,766	-	-	48,766
Revalued freehold land	31 December 2013	-	-	36,171,650	36,171,650

During the reporting periods ended 31 March 2014 and 31 March 2013 and year ended 31 December 2013, there were no transfers within the levels of fair value hierarchy.

The management assessed that cash and bank balances, deposits, trade and receivables, current portion of term loan and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.