

National Hotels Company B.S.C.

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 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 31 March 2018, comprising of the interim statement of financial position as at 31 March 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 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 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.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script font.

19 April 2018
Manama, Kingdom of Bahrain


National Hotels Company B.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2018 (Reviewed)

	Note	31 March 2018 Reviewed BD	31 December 2017 Audited BD
ASSETS			
Non-current assets			
Property, plant and equipment	3	72,553,703	70,621,555
Investment in an associate	4	6,995,208	7,709,859
Non-current investments	5	4,427,633	4,458,312
Total non-current assets		83,976,544	82,789,726
Current assets			
Inventories		77,740	90,846
Current investments	5	44,791	44,233
Trade and other receivables		1,063,162	1,027,929
Bank balances and cash	6	2,058,909	3,188,049
Total current assets		3,244,602	4,351,057
TOTAL ASSETS		87,221,146	87,140,783
EQUITY AND LIABILITIES			
Equity			
Share capital	8	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		1,810,421	1,841,100
Share of reserves of associate		22,937	7,183
Retained earnings		30,599,040	30,368,180
Proposed dividend	8	-	1,091,747
Total equity		82,272,162	83,147,974
Non-current liability			
Employees' end of service benefits		306,658	431,406
Total non-current liability		306,658	431,406
Current liabilities			
Trade and other payables		4,020,720	2,318,188
Term loan		621,606	1,243,215
Total current liabilities		4,642,326	3,561,403
Total liabilities		4,948,984	3,992,809
TOTAL EQUITY AND LIABILITIES		87,221,146	87,140,783


 Mr. Adel N. Hamadah
 Vice Chairman & Managing Director


 Mr. Abdulaziz Abdulla Ebrahim Alisa
 Director and Chairman-Executive Committee

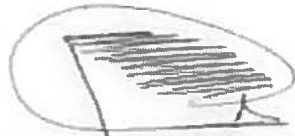
The attached notes 1 to 14 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2018 (Reviewed)

	Note	Three months ended	
		31 March	
		2018	2017
		Reviewed	Reviewed
		BD	BD
Gross operating revenue		1,457,688	1,892,817
Gross operating costs		(1,100,827)	(1,153,757)
GROSS OPERATING PROFIT		356,861	739,060
Net investment income:			
Share of profit of an associate	4	369,595	471,974
Dividend income	7	108,371	105,649
Interest income		32,172	45,397
Fair value gain on investments at fair value through profit or loss - net	5	558	1,776
		510,696	624,796
Miscellaneous income		82,525	64,963
Depreciation		(508,312)	(509,935)
General and administration expenses		(201,144)	(162,609)
Financial charges		(9,766)	(35,839)
PROFIT FOR THE PERIOD		230,860	720,436
BASIC AND DILUTED EARNINGS PER SHARE (In fils)	9	2	7



Mr Adel N Hamadah
Vice Chairman & Managing Director



Mr Abdulaziz Abdulla Ebrahim Alisa
Director and Chairman-Executive

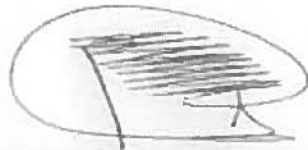
The attached notes 1 to 14 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018 (Reviewed)

	Note	Three months ended	
		31 March	
		2018	2017
		Reviewed	Reviewed
		BD	BD
Profit for the period		230,860	720,438
Other comprehensive income			
<i>Other comprehensive (loss) income 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	5	(30,679)	(92,037)
Share in associate's other comprehensive income	4	15,754	(6,157)
Other comprehensive loss for the period		(14,925)	(98,194)
Total comprehensive income for the period		215,935	622,242



Mr Adal N Hamadah
Vice Chairman & Managing Director



Mr Abdulaziz Abdulla Ebrahim Alisa
Director and Chairman-Executive Committee

The attached notes 1 to 14 form part of these interim condensed financial statements.

National Hotels Company B.S.C.
INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 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	Total BD
As at 1 January 2018	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
Profit for the period	-	-	-	-	-	-	-	230,860	-	230,860
Other comprehensive loss for the period	-	-	-	-	-	(30,679)	15,754	-	-	(14,925)
Total comprehensive income for the period	-	-	-	-	-	(30,679)	15,754	230,860	-	215,935
Dividend declared (note 8)	-	-	-	-	-	-	-	-	(1,091,747)	(1,091,747)
As at 31 March 2018 (reviewed)	11,025,000	(94,726)	5,512,500	2,190,079	31,206,911	1,810,421	22,937	30,599,040	-	82,272,162
As at 1 January 2017	11,025,000	(94,726)	5,512,500	2,190,079	31,206,911	2,323,336	(49,392)	29,282,547	1,310,097	82,706,352
Profit for the period	-	-	-	-	-	-	-	720,436	-	720,436
Other comprehensive loss for the period	-	-	-	-	-	(92,037)	(6,157)	-	-	(98,194)
Total comprehensive income for the period	-	-	-	-	-	(92,037)	(6,157)	720,436	-	622,242
Dividend declared (note 8)	-	-	-	-	-	-	-	-	(1,310,097)	(1,310,097)
As at 31 March 2017 (reviewed)	11,025,000	(94,726)	5,512,500	2,190,079	31,206,911	2,231,299	(55,549)	30,002,983	-	82,018,497

The attached notes 1 to 14 form part of these interim condensed financial statements.

National Hotels Company B.S.C.
INTERIM STATEMENT OF CASH FLOWS
For the three months ended 31 March 2018 (Reviewed)

		<i>Three months ended</i>	
		<i>31 March</i>	
		2018	2017
		Reviewed	Reviewed
<i>Note</i>		BD	BD
OPERATING ACTIVITIES			
	Profit for the period	230,860	720,436
	Adjustments for:		
	Depreciation	508,312	509,935
	Share of profit of an associate	4 (369,595)	(471,974)
	Fair value gain on investments at fair value through profit or loss - net	5 (558)	(1,776)
	Dividend income	7 (108,371)	(105,649)
	Interest on term deposits	(32,172)	(45,397)
	Provision for employees' end of service benefits	37,914	16,755
	Operating profit before working capital changes	266,390	622,330
	Working capital changes:		
	Inventories	13,106	14,718
	Trade and other receivables	(35,233)	(104,002)
	Trade and other payables	(422,283)	255,142
	Cash flows (used in) from operations	(178,020)	788,188
	Employees' end of service benefits paid	(162,662)	(4,059)
	Directors' remuneration paid	11 (35,000)	(25,000)
	Net cash flows (used in) from operating activities	(375,682)	759,129
INVESTING ACTIVITIES			
	Purchase of property, plant and equipment	(1,371,643)	(68,049)
	Dividends received from an associate	4 1,100,000	1,100,000
	Other dividends received	108,371	105,649
	Interest received	32,172	45,397
	Net cash flows (used in) from investing activities	(131,100)	1,182,997
FINANCING ACTIVITY			
	Repayments of term loan and cash flow used in financing activity	(621,609)	(621,609)
	(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,128,391)	1,320,517
	Cash and cash equivalents at 1 January	2,955,006	4,581,621
	CASH AND CASH EQUIVALENTS AT 31 MARCH	6 1,826,615	5,902,138

Non-cash items:

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 1,438,369 (31 March 2017: BD 40,848) with net increase of BD 1,068,817 (31 March 2017: BD 1,086) were not settled as of the date of interim statement of financial position.
- (ii) Unclaimed dividends pertaining to prior years amounting to BD 232,294 (31 March 2017: BD 227,385) with a net decrease of BD 749 (31 March 2017: net decrease of BD 6,625) has been excluded from the movement of trade and other payables.
- (iii) Declared dividends pertaining to year ended 31 December 2017 amounting to BD 1,091,747 (31 December 2016: BD 1,310,097) has been excluded from the movement of trade and other payables.

The attached notes 1 to 14 form part of these interim condensed financial statements.

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 in accordance with a resolution of the Board of Directors on 19 April 2018.

2 ACCOUNTING POLICIES

Basis of preparation

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

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.

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and reclassified the comparative information for the three months period ended 31 March 2017 as follows:

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

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

(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 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.

(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.

2 ACCOUNTING POLICIES (continued)**Significant accounting policies (continued)***IFRS 9 Financial instruments (continued)*

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 Transactions*
- *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*
- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*

3 PROPERTY, PLANT AND EQUIPMENT

During the three months ended 31 March 2018, the Company incurred BD 2,440,460 (three months ended 31 March 2017: BD 69,135, 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 three months ended 31 March 2018 (three months ended 31 March 2017: same, year ended 31 December 2017: BD 55,927).

4 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 these interim condensed financial statements.

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

	31 March 2018 Reviewed BD	31 December 2017 Audited BD	31 March 2017 Reviewed BD
Balance at 1 January	7,709,859	7,571,085	7,571,085
Share of profit for the period / year (i)	369,595	1,665,611	471,974
Dividends received during the period / year	(1,100,000)	(1,500,000)	(1,100,000)
Share in associate's other comprehensive income	15,754	(26,837)	(6,157)
	6,995,208	7,709,859	6,936,902

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2018 (Reviewed)

4 INVESTMENT IN AN ASSOCIATE (continued)

(i) Based on the approved management accounts of African & Eastern (Bahrain) W.L.L., a profit of BD 1,108,896 (31 March 2017: BD 1,415,921) was recognised for the three months ended 31 March 2018. The Company has recognised a share of profit of BD 369,595 (31 March 2017: BD 471,974) in these interim condensed financial statements representing their 33.33% share.

5 INVESTMENTS

	31 March 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)	2,116,833	2,147,512
Unquoted equity investments	310,800	310,800
Equity investments at FVPL		
Quoted equity investments (iii)	44,791	44,233
	4,472,424	4,502,545
Total current (iii)	44,791	44,233
Total non-current	4,427,633	4,458,312
	4,472,424	4,502,545

(i) The balance relates to Government of Bahrain Development Bonds 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:

	31 March 2018 Reviewed BD	31 December 2017 Audited BD	31 March 2017 Reviewed BD
Balance at 1 January	2,147,512	2,546,336	2,546,336
Fair value loss for the period/year	(30,679)	(398,824)	(92,037)
	2,116,833	2,147,512	2,454,299

(iii) The movement in quoted equity investments at FVPL of BD 558 (three months ended 31 March 2017: BD 1,776) pertains to fair value gain - net.

For fair value hierarchy of the Company's investments, refer to note 13.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2018 (Reviewed)

6 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:

	31 March 2018 Reviewed BD	<i>31 December 2017 Audited BD</i>	<i>31 March 2017 Reviewed BD</i>
Cash on hand	7,464	7,265	7,793
Cash at bank	2,051,445	3,180,784	6,121,730
Bank balances and cash	2,058,909	3,188,049	6,129,523
Restricted cash	(232,294)	(233,043)	(227,385)
Cash and cash equivalents as per the interim statement of cash flows	<u>1,826,615</u>	<u>2,955,006</u>	<u>5,902,138</u>

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

7 SEASONALITY OF RESULTS

Dividend income of BD 108,371 for the three months ended 31 March 2018 (for the three months ended 31 March 2017: BD 105,649) is of a seasonal nature due to usual timing of payments.

8 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 (31 March 2017: cash dividends of 12 fils per share amounting to BD 1,310,097).

9 EARNINGS PER SHARE

	<i>For the three months ended</i>	
	31 March 2018 Reviewed	<i>31 March 2017 Reviewed</i>
Profit for the period – BD	<u>230,860</u>	<u>720,436</u>
Average shares in issue - net of treasury shares	<u>109,174,743</u>	<u>109,174,743</u>
Basic and diluted earnings per share - in fils	<u>2</u>	<u>7</u>

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 2018 (Reviewed)

10 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 and term deposits.

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.

Three months ended 31 March	Hotel business and corporate		Office towers		Investments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed	Reviewed
Gross operating revenue	1,182,626	1,615,064	275,062	277,753	-	-	1,457,688	1,892,817
Gross operating costs	(1,031,343)	(1,084,407)	(69,484)	(69,350)	-	-	(1,100,827)	(1,153,757)
Gross operating profit	151,283	530,657	205,578	208,403	-	-	356,861	739,060
Investment income (net)	-	-	-	-	510,696	624,796	510,696	624,796
Other income	82,525	64,963	-	-	-	-	82,525	64,963
Depreciation	(292,404)	(294,588)	(215,908)	(215,347)	-	-	(508,312)	(509,935)
Expenses	(201,144)	(162,609)	-	-	-	-	(201,144)	(162,609)
Financial charges	(661)	(42)	(9,105)	(35,797)	-	-	(9,766)	(35,839)
(Loss) profit for the period	(260,401)	138,381	(19,435)	(42,741)	510,696	624,796	230,860	720,436

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

31 March 2018 (Reviewed)

10 SEGMENT INFORMATION (continued)

	<i>Hotel business and corporate</i>						<i>Office towers</i>						<i>Investments</i>						<i>Total</i>					
	<i>31 March 2018</i>		<i>31 December 2017</i>		<i>31 March 2018</i>		<i>31 December 2017</i>		<i>31 March 2018</i>		<i>31 December 2017</i>		<i>31 March 2018</i>		<i>31 December 2017</i>		<i>31 March 2018</i>		<i>31 December 2017</i>					
	<i>Reviewed</i>	<i>BD</i>	<i>Audited</i>	<i>BD</i>	<i>Reviewed</i>	<i>BD</i>	<i>Audited</i>	<i>BD</i>	<i>Reviewed</i>	<i>BD</i>	<i>Audited</i>	<i>BD</i>	<i>Reviewed</i>	<i>BD</i>	<i>Audited</i>	<i>BD</i>	<i>Reviewed</i>	<i>BD</i>	<i>Audited</i>	<i>BD</i>				
Total assets	46,535,575		44,470,613		27,159,030		27,269,717		13,526,541		15,400,453		87,221,146		87,140,783		87,221,146		87,140,783					
Total liabilities	4,216,220		2,620,634		732,764		1,372,175		-		-		4,948,984		3,992,809		4,948,984		3,992,809					
Capital expenditure	2,428,460		1,907,136		12,000		-		-		-		2,440,460		1,907,136		2,440,460		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

31 March 2018 (Reviewed)

11 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 31 March 2018 (Reviewed)</i>		
	<i>Purchases BD</i>	<i>Fees for management services BD</i>	<i>Other expenses BD</i>
Associate	15,711	-	-
Management Company (Rezidor)	-	24,360	4,742
Directors	-	-	18,750
	15,711	24,360	23,492

	<i>For the three months ended 31 March 2017 (Reviewed)</i>		
	<i>Purchases BD</i>	<i>Fees for management services BD</i>	<i>Other expenses BD</i>
Associate	17,200	-	-
Management Company (Rezidor)	-	30,932	10,471
Directors	-	-	14,250
	17,200	30,932	24,721

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>31 March 2018 Reviewed BD</i>	<i>31 December 2017 Audited BD</i>	<i>31 March 2018 Reviewed BD</i>	<i>31 December 2017 Audited BD</i>
Associate	-	-	12,123	15,588
Management Company (Rezidor)	13,791	11,743	67,498	101,468
Directors	-	-	84,500	120,000
	13,791	11,743	164,121	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.

31 March 2018 (Reviewed)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**Terms and conditions of transactions with related parties (continued)**

No directors' remuneration was charged to interim statement of profit or loss during the period ended 31 March 2018 (31 March 2017: same). Further, the directors' remuneration related to year ended 31 December 2017 paid during the period amounted to BD 35,000 (31 March 2017: BD 25,000 related to year ended 31 December 2016).

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>	
	31 March 2018	31 March 2017
	<i>Reviewed</i>	<i>Reviewed</i>
	BD	BD
Short-term benefits	55,706	43,404
Post-employment benefits	24,249	3,761
	79,955	47,165

12 COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to BD 2.57 million as of 31 March 2018 pertaining to refurbishment of hotel rooms and lobby (31 December 2017: BD 4.65 million).

13 FAIR VALUE MEASUREMENT

As at 31 March 2018, the Company held the following classes of assets measured at fair value:

	<i>Date of valuation</i>	<i>Fair value measurement using (Reviewed)</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
		BD	BD	BD	BD
Assets measured at fair value:					
<i>Investments at FVOCI</i>	<i>31 March 2018</i>	2,116,833	-	310,800	2,427,633
<i>Investments at FVPL</i>	<i>31 March 2018</i>	44,791	-	-	44,791
<i>Revalued freehold land</i>	<i>2 March 2017</i>	-	-	31,774,218	31,774,218

13 FAIR VALUE MEASUREMENT (continued)

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)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
		<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>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, term deposits, 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 periods ended 31 March 2018 and 31 March 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.

14 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 2. Such reclassifications do not affect previously reported profit or equity.