

**National Hotels Company B.S.C.**

**INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 JUNE 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 30 June 2012, comprising of the interim statement of financial position as at 30 June 2012 and the related interim statements of income, comprehensive income, cash flows, changes in equity for the six 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.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

12 July 2012  
Manama, Kingdom of Bahrain

# National Hotels Company B.S.C.

## INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2012 (Unaudited)

		<b>30 June 2012</b>	<b>31 December 2011</b>
	<i>Note</i>	<i>Unaudited BD</i>	<i>Audited BD</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	<b>73,874,851</b>	73,977,455
Investment in an associate	5	<b>4,877,798</b>	4,665,596
Available-for-sale investments	6	<b>1,956,296</b>	1,900,517
<b>Total non-current assets</b>		<b>80,708,945</b>	80,543,568
<b>Current assets</b>			
Inventories		<b>49,583</b>	46,226
Held-for-trading investments		<b>399,673</b>	394,444
Trade and other receivables		<b>558,590</b>	508,523
Bank balances and cash	7	<b>5,893,140</b>	3,825,464
<b>Total current assets</b>		<b>6,900,986</b>	4,774,657
<b>TOTAL ASSETS</b>		<b>87,609,931</b>	85,318,225
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		<b>10,000,000</b>	10,000,000
Treasury shares		<b>(94,726)</b>	(94,726)
Statutory reserve		<b>4,819,216</b>	4,819,216
General reserve		<b>3,215,079</b>	3,215,079
Revaluation reserve		<b>27,382,813</b>	27,382,813
Available-for-sale investments reserve		<b>1,308,690</b>	1,242,479
Retained earnings		<b>21,966,590</b>	20,693,540
Proposed dividend		<b>-</b>	990,247
<b>Total equity</b>		<b>68,597,662</b>	68,248,648
<b>Non-current liabilities</b>			
Employees' end of service benefits		<b>204,012</b>	172,018
Borrowings	8	<b>11,900,356</b>	12,416,623
<b>Total non-current liabilities</b>		<b>12,104,368</b>	12,588,641
<b>Current liabilities</b>			
Trade and other payables		<b>3,889,644</b>	4,480,936
Borrowings	8	<b>3,018,257</b>	-
<b>Total current liabilities</b>		<b>6,907,901</b>	4,480,936
<b>Total liabilities</b>		<b>19,012,269</b>	17,069,577
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>87,609,931</b>	85,318,225



Abdul Latif Ahmed Al Zayani  
Director, Chairman-Executive Committee



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 STATEMENT OF INCOME

For the six months period ended 30 June 2012 (unaudited)

	Note	Three months period ended		Six months period ended	
		30 June		30 June	
		2012	2011	2012	2011
		BD	BD	BD	BD
Gross operating revenue		<b>1,760,071</b>	910,393	<b>3,321,394</b>	2,892,090
Gross operating costs		<b>(973,538)</b>	(661,217)	<b>(1,842,420)</b>	(1,633,056)
<b>GROSS OPERATING PROFIT</b>		<b>786,533</b>	249,176	<b>1,478,974</b>	1,259,034
Net Investment income:					
Share of result from an associate	5	<b>287,151</b>	247,617	<b>521,770</b>	470,911
Dividend income		<b>5,445</b>	15,394	<b>89,114</b>	95,207
Net realised gain on sale of available-for-sale investments		-	-	-	87,613
Net changes in cumulative fair value of held-for-trading investments		<b>(29,230)</b>	5,114	<b>5,229</b>	(12,219)
Interest on term deposits		<b>26,386</b>	33,049	<b>34,767</b>	66,125
		<b>289,752</b>	301,174	<b>650,880</b>	707,637
Miscellaneous income		<b>66,262</b>	73,479	<b>137,366</b>	141,154
Depreciation		<b>(389,814)</b>	(283,678)	<b>(674,302)</b>	(566,612)
General and administration expenses		<b>(87,763)</b>	(66,808)	<b>(245,897)</b>	(196,071)
Finance costs		<b>(73,971)</b>	-	<b>(73,971)</b>	-
<b>PROFIT FOR THE PERIOD</b>		<b>590,999</b>	273,343	<b>1,273,050</b>	1,345,142
<b>BASIC AND DILUTED EARNINGS PER SHARE (fils)</b>	11	<b>5.97</b>	2.76	<b>12.86</b>	13.58

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

National Hotels Company B.S.C.

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the six months period ended 30 June 2012 (unaudited)

	Note	<i>Three months period</i>		<i>Six months period</i>	
		<i>ended 30 June</i>		<i>ended 30 June</i>	
		<b>2012</b>	2011	<b>2012</b>	2011
		<b>BD</b>	<b>BD</b>	<b>BD</b>	<b>BD</b>
Profit for the period		<b>590,999</b>	273,343	<b>1,273,050</b>	1,345,142
<b>Other comprehensive income</b>					
Net movement in fair values of available-for-sale investments during the period	6	<b>111,559</b>	167,339	<b>55,779</b>	(45,638)
Share in associate's realised losses transferred to statement of income on impairment of the associates available for sale investments	5	-	10,419	-	10,419
Share in associate's cumulative changes in fair values	5	<b>(763)</b>	20,214	<b>10,432</b>	(32,873)
<b>Other comprehensive income (loss) for the period</b>		<b>110,796</b>	197,972	<b>66,211</b>	(68,092)
<b>Total comprehensive income for the period</b>		<b>701,795</b>	471,315	<b>1,339,261</b>	1,277,050

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

# National Hotels Company B.S.C.

## INTERIM STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2012 (unaudited)

	Note	Six months period ended 30 June	
		2012	2011
		Unaudited BD	Unaudited BD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		1,273,050	1,345,142
Adjustments for:			
Depreciation		674,302	566,612
Share of result from an associate	5	(521,770)	(470,911)
Provision for employees' end of service benefits		38,744	23,347
Net realised gain on sale of available-for-sale investments		-	(87,613)
Net change in the value of held-for-trading investments		(5,229)	12,219
Interest on term deposits		(34,767)	(66,125)
Dividend income		(89,114)	(95,207)
		<u>1,335,216</u>	<u>1,227,464</u>
Working capital changes:			
Inventories		(3,357)	12,213
Trade and other receivables		(50,067)	321,018
Trade and other payables		(80,650)	(561,853)
		<u>1,201,142</u>	<u>998,842</u>
Directors' remuneration paid		(144,000)	(144,000)
Charity contributions paid		(43,000)	(56,000)
Employees' end of service benefits paid		(6,750)	(106,570)
Net cash flows from operating activities		<u>1,007,392</u>	<u>692,272</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(924,347)	(5,111,305)
Dividends received from an associate	5	320,000	200,000
Other dividends received		89,114	95,207
Interest received		34,767	66,125
Proceeds from disposal of available-for-sale investments		-	279,883
Term deposits with maturity greater than 3 months (net)		1,693,719	(340,433)
Net cash flows from (used in) investing activities		<u>1,213,253</u>	<u>(4,810,523)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		4,716,234	7,327,941
Repayments of borrowings		(2,214,244)	(1,296,269)
Dividends paid		(990,247)	(1,980,494)
Net cash flows from financing activities		<u>1,511,743</u>	<u>4,051,178</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>3,732,388</u>	<u>(67,073)</u>
Cash and cash equivalents at 1 January	7	209,194	364,168
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	7	<u>3,941,582</u>	<u>297,095</u>

### Non-cash items

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 2,458,048 (30 June 2011: BD 3,259,288) were not settled as of the date of statement of financial position.
- (ii) Unclaimed dividends pertaining to prior years amounting to BD 239,881 (30 June 2011: BD 219,804) 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 STATEMENT OF CHANGES IN EQUITY**

For the six months period ended 30 June 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	-	-	-	-	-	-	1,273,050	-	1,273,050
Other comprehensive income for the period	-	-	-	-	-	66,211	-	-	66,211
Total comprehensive income for the period	-	-	-	-	-	66,211	1,273,050	-	1,339,261
Dividends paid (note 10)	-	-	-	-	-	-	-	(990,247)	(990,247)
<b>Balance at 30 June 2012 (Unaudited)</b>	<b>10,000,000</b>	<b>(94,726)</b>	<b>4,819,216</b>	<b>3,215,079</b>	<b>27,382,813</b>	<b>1,308,690</b>	<b>21,966,590</b>	<b>-</b>	<b>68,597,662</b>
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	-	-	-	-	-	-	1,345,142	-	1,345,142
Other comprehensive loss for the period	-	-	-	-	-	(68,092)	-	-	(68,092)
Total comprehensive (loss) income for the period	-	-	-	-	-	(68,092)	1,345,142	-	1,277,050
Dividends paid (note 10)	-	-	-	-	-	-	-	(1,980,494)	(1,980,494)
<b>Balance at 30 June 2011 (Unaudited)</b>	<b>10,000,000</b>	<b>(94,726)</b>	<b>4,574,246</b>	<b>3,215,079</b>	<b>27,382,813</b>	<b>1,251,807</b>	<b>20,824,202</b>	<b>-</b>	<b>67,153,421</b>

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

30 June 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 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. During the year 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 12 July 2012.

**2 ACCOUNTING POLICIES**

**Basis of preparation**

The interim condensed financial statements for the six months period ended 30 June 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 six months period ended 30 June 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 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 six months ended 30 June 2012 is capital expenditure of BD 345,331 (year ended 31 December 2011: BD 6,362,476) for the construction of a commercial property. This includes capitalised interest of BD 156,834 (31 December 2011: BD 392,181). The commercial property was completed in April 2012.



# National Hotels Company B.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2012 (Unaudited)

### 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 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.

The movements during the period / year are as follows:

	<b>30 June 2012 Unaudited BD</b>	<b>31 December 2011 Audited BD</b>	<b>30 June 2011 Unaudited BD</b>
At 1 January	4,665,596	4,093,340	4,093,340
Share of result during the period / year / period	521,770	984,038	470,911
Dividends received during the period / year / period	(320,000)	(380,000)	(200,000)
Share of changes to associate's cumulative changes in fair values	10,432	(31,782)	(32,873)
Share in associate's net losses transferred to statement of income on impairment of the associate's available for-sale investments	-	-	10,419
	<b>4,877,798</b>	<b>4,665,596</b>	<b>4,341,797</b>

### 6 AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 June 2012 Unaudited BD</b>	<b>31 December 2011 Audited BD</b>
Equity investments:		
Quoted investments	1,645,496	1,589,717
Unquoted investments (at cost)*	310,800	310,800
	<b>1,956,296</b>	<b>1,900,517</b>

\*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:

	<b>For the six months ended 30 June 2012 Unaudited BD</b>	<b>For the year ended 31 December 2011 Audited BD</b>	<b>For the six months ended 30 June 2011 Unaudited BD</b>
Opening balance	1,589,717	1,635,355	1,635,355
Unrealised gain (loss) on available for sale investments	55,779	(45,638)	(45,638)
Closing balance	<b>1,645,496</b>	<b>1,589,717</b>	<b>1,589,717</b>

30 June 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 six months reporting periods ended 30 June 2012 and 30 June 2011 and the year ended 31 December 2011, there were no transfers among 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:

	<b>30 June 2012 Unaudited BD</b>	<b>31 December 2011 Audited BD</b>	<b>30 June 2011 Unaudited BD</b>
Cash in hand	8,849	14,367	11,279
Cash at bank	658,607	405,701	505,620
Term deposits	5,225,684	3,405,396	3,625,003
Bank balances and cash	<b>5,893,140</b>	<b>3,825,464</b>	<b>4,141,902</b>
Term deposits with an original maturity of more than three months	<b>(1,711,677)</b>	<b>(3,405,396)</b>	<b>(3,625,003)</b>
Restricted cash	<b>(239,881)</b>	<b>(210,874)</b>	<b>(219,804)</b>
Cash and cash equivalents as per the statement of cash flows	<b>3,941,582</b>	<b>209,194</b>	<b>297,095</b>

Bank balances amounting to BD 239,881 (30 June 2011: BD 219,804) 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 2.37% (2011: 3.93%). These term deposits have a maturity ranging from one month and six months (30 June 2011: maturity ranging from six months to one year).

The Company has an overdraft facility amounting to BD 15,000,000 (30 June 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.

30 June 2012 (Unaudited)

**8 BORROWINGS**

The Company has financed an overdraft facility with a commercial bank in the Kingdom of Bahrain to finalise 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 2.5% (31 December 2011: BIBOR plus 2.50%).

On 14 April 2012, the outstanding balance of the overdraft facility drawn has been converted into a term loan. The term loan carries interest at the same rate as the overdraft facility and is repayable in quarterly installments of BD 621,608 plus interest at a rate of BIBOR plus 2.5% over a period of six years starting on 12 July 2012. The effective interest at 30 June 2012 was 3.5% (31 December 2011: nil). The term loan is secured by a mortgage over the freehold land and the hotel building.

**9 SEASONALITY OF RESULTS**

Dividend income of BD 89,114 for the six months period ended 30 June 2012 (for the period ended 30 June 2011: BD 95,207) 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 and paid on 4 April 2012 (2011: 5 April 2011).

**11 EARNINGS PER SHARE**

	<i>For the three months period ended</i>		<i>For the six months period ended</i>	
	<b>30 June 2012 Unaudited</b>	<b>30 June 2011 Unaudited</b>	<b>30 June 2012 Unaudited</b>	<b>30 June 2011 Unaudited</b>
Profit for the period – BD	<b>590,999</b>	273,343	<b>1,273,050</b>	1,345,142
Average shares in issue (net of treasury shares)	<b>99,024,710</b>	99,024,710	<b>99,024,710</b>	99,024,710
Basic and diluted earnings per share – fils	<b>5.97</b>	2.76	<b>12.86</b>	13.58

Basic and diluted earnings per share are the same 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 STATEMENTS

30 June 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>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<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>
<b>Three months ended 30 June</b>						
Gross operating revenue	1,760,071	910,393	-	-	1,760,071	910,393
Gross operating costs	(973,538)	(661,217)	-	-	(973,538)	(661,217)
Gross operating profit	786,533	249,176	-	-	786,533	249,176
Investment income (net)	-	-	289,752	301,174	289,752	301,174
Other income	66,262	73,479	-	-	66,262	73,479
Depreciation	(389,814)	(283,678)	-	-	(389,814)	(283,678)
Expenses	(87,763)	(65,852)	-	(956)	(87,763)	(66,808)
Finance costs	(73,971)	-	-	-	(73,971)	-
Profit (loss) for the period	301,247	(26,875)	289,752	300,218	590,999	273,343

	<i>Hotel business and corporate</i>		<i>Investments</i>		<i>Total</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<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>
<b>Six months ended 30 June</b>						
Gross operating revenue	3,321,394	2,892,090	-	-	3,321,394	2,892,090
Gross operating costs	(1,842,420)	(1,633,056)	-	-	(1,842,420)	(1,633,056)
Gross operating profit	1,478,974	1,259,034	-	-	1,478,974	1,259,034
Investment income (net)	-	-	650,880	707,637	650,880	707,637
Other income	137,366	141,154	-	-	137,366	141,154
Depreciation	(674,302)	(566,612)	-	-	(674,302)	(566,612)
Expenses	(245,897)	(194,181)	-	(1,890)	(245,897)	(196,071)
Finance costs	(73,971)	-	-	-	(73,971)	-
Profit for the period	622,170	639,395	650,880	705,747	1,273,050	1,345,142



National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 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 30 June 2012			For the three months ended 30 June 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	20,038	-	-	104	10,826	-	-	-
Rezidor	-	91,754	178	899	-	19,578	221	712
Directors	-	-	-	1,299	-	-	-	540
	<u>20,038</u>	<u>91,754</u>	<u>178</u>	<u>2,302</u>	<u>10,826</u>	<u>19,578</u>	<u>221</u>	<u>1,252</u>
	For the six months ended 30 June 2012			For the six months ended 30 June 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	38,460	-	-	157	30,448	-	-	-
Rezidor	-	131,604	178	1,275	-	94,263	1,173	4,754
Directors	-	-	-	3,452	-	-	-	1,042
	<u>38,460</u>	<u>131,604</u>	<u>178</u>	<u>4,884</u>	<u>30,448</u>	<u>94,263</u>	<u>1,173</u>	<u>5,796</u>

30 June 2012 (Unaudited)

**13 RELATED PARTY TRANSACTIONS (continued)**

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

	<u>30 June 2012</u>		<u>31 December 2011</u>	
	<i>Receivables</i> <i>BD</i>	<i>Payables</i> <i>BD</i>	<i>Receivables</i> <i>BD</i>	<i>Payables</i> <i>BD</i>
Associated Company	25	7,937	229	15,503
Rezidor	1,508	152,455	16,170	174,472
Other related parties	760	-	-	35,094
	<u>2,293</u>	<u>160,392</u>	<u>16,399</u>	<u>225,069</u>

**Ownership interest**

The details of total ownership interest held by the directors along with the entities controlled, jointly controlled or significantly influenced by them are as follows:

Mr. Faisal Ahmed Al Zayani (Chairman of the Company) holds 176,764 (30 June and 31 December 2011: 176,764 shares) shares in the Company as at 30 June 2012 representing a 0.18% (30 June and 31 December 2011: 0.18%) holding in the Company.

**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 30 June 2012 amounted to BD 144,000 (30 June 2011: BD 144,000).

**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>For the six months ended</i>	
	<i>30 June 2012</i> <i>BD</i>	<i>30 June 2011</i> <i>BD</i>	<i>30 June 2012</i> <i>BD</i>	<i>30 June 2011</i> <i>BD</i>
Short-term benefits	38,670	29,637	77,340	64,624
Post-employment benefits	2,693	1,687	17,494	5,093
	<u>41,363</u>	<u>31,324</u>	<u>94,834</u>	<u>69,717</u>