

National Hotels Company B.S.C.

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2017 (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 30 September 2017, comprising of the interim statement of financial position as at 30 September 2017 and the related interim statement of profit or loss, interim statement of other comprehensive income, interim statement of cash flows and interim statement of changes in equity for the nine-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (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.



19 October 2017
Manama, Kingdom of Bahrain

National Hotels Company B.S.C.

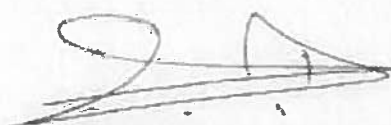
INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2017 (Reviewed)

| | Note | 30 September 2017 Reviewed BD | 31 December 2016 Audited BD |
|--|------|--|--------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 69,980,705 | 70,818,396 |
| Investment in an associate | 4 | 7,268,250 | 7,571,085 |
| Available-for-sale investments | 5 | 4,673,063 | 4,857,136 |
| Total non-current assets | | 81,922,018 | 83,246,617 |
| Current assets | | | |
| Inventories | | 99,958 | 81,203 |
| Held-for-trading investments | | 48,266 | 40,926 |
| Trade and other receivables | | 1,231,282 | 579,092 |
| Bank balances and cash | 6 | 3,709,199 | 4,815,631 |
| Total current assets | | 5,086,705 | 5,516,852 |
| TOTAL ASSETS | | 87,008,723 | 88,763,469 |
| 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 |
| Available-for-sale Investments reserve | | 2,082,645 | 2,273,944 |
| Retained earnings | | 31,058,498 | 29,282,547 |
| Proposed dividend | 8 | - | 1,310,097 |
| Total equity | | 82,980,907 | 82,706,352 |
| Non-current liabilities | | | |
| Employees' end of service benefits | | 429,757 | 415,376 |
| Term loan | | - | 1,243,218 |
| Total non-current liabilities | | 429,757 | 1,658,594 |
| Current liabilities | | | |
| Trade and other payables | | 1,733,235 | 1,912,090 |
| Current portion of term loan | | 1,864,824 | 2,486,433 |
| Total current liabilities | | 3,598,059 | 4,398,523 |
| Total liabilities | | 4,027,816 | 6,057,117 |
| TOTAL EQUITY AND LIABILITIES | | 87,008,723 | 88,763,469 |



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.

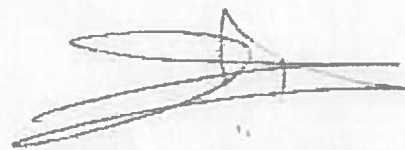
INTERIM STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2017 (Reviewed)

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|--|------|------------------------------------|----------------|-----------------------------------|------------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD |
| Gross operating revenue | | 1,637,994 | 1,928,606 | 5,683,457 | 6,475,110 |
| Gross operating costs | | (1,178,783) | (1,226,317) | (3,635,550) | (3,735,371) |
| GROSS OPERATING PROFIT | | 459,211 | 702,289 | 2,047,907 | 2,739,739 |
| Net investment income: | | | | | |
| Share of profit from an associate | 4 | 430,240 | 528,189 | 1,204,391 | 1,469,343 |
| Dividend income | 7 | 62,124 | 61,668 | 168,329 | 167,933 |
| Interest income | | 39,318 | 26,927 | 125,669 | 44,260 |
| Net changes in cumulative fair value held-for-trading investments | | 2,406 | 248 | 5,340 | (4,648) |
| | | 534,088 | 617,032 | 1,503,729 | 1,676,888 |
| Miscellaneous income | | 61,811 | 60,375 | 193,407 | 184,574 |
| Depreciation | | (516,133) | (513,856) | (1,543,606) | (1,517,867) |
| General and administration expenses | | (83,701) | (72,439) | (335,921) | (323,710) |
| Financial charges | | (23,289) | (48,846) | (89,565) | (162,328) |
| PROFIT FOR THE PERIOD | | 431,987 | 744,555 | 1,775,951 | 2,597,296 |
| BASIC AND DILUTED EARNINGS PER SHARE (In fils) | 9 | 4 | 7 | 16 | 24 |



Faisal Ahmed Al Zayani
Chairman



Ayed Abdulla Ahmed Al Sumait
Vice Chairman and Managing Director

National Hotels Company B.S.C.

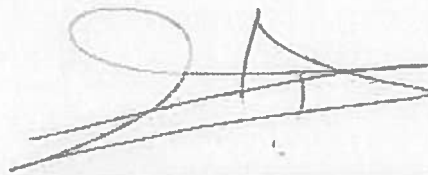
INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2017 (Reviewed)

| | Three months ended | | Nine months ended | |
|---|--------------------|------------------|-------------------|------------------|
| | 30 September | | 30 September | |
| | 2017 | 2016 | 2017 | 2016 |
| | Reviewed | Reviewed | Reviewed | Reviewed |
| Note | BD | BD | BD | BD |
| Profit for the period | 431,987 | 744,555 | 1,775,951 | 2,597,296 |
| Other comprehensive loss | | | | |
| <i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Net movement in fair values of available-for-sale investments during the period | 5 (81,357) | (153,394) | (184,073) | (107,401) |
| Share in associate's cumulative changes in fair values | 4 (1,934) | (56,283) | (7,226) | (46,208) |
| Other comprehensive loss for the period | (63,291) | (209,677) | (191,299) | (153,609) |
| Total comprehensive income for the period | 368,696 | 534,878 | 1,584,652 | 2,443,687 |



Faisal Ahmed Al Zayani
Chairman



Ayad Abdulla Ahmed Al Sumait
Vice Chairman and Managing Director

National Hotels Company B.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2017 (Reviewed)

| | Note | Nine months ended 30 September | |
|--|------|-----------------------------------|------------------------|
| | | 2017 Reviewed BD | 2016 Reviewed BD |
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 1,775,951 | 2,597,296 |
| Adjustments for: | | | |
| Depreciation | | 1,543,606 | 1,517,867 |
| Profit on disposal of property, plant and equipment | | - | (888) |
| Share of profit from an associate | 4 | (1,204,391) | (1,469,343) |
| Net changes in cumulative fair value of held-for-trading investments | | (5,340) | 4,648 |
| Dividend income | 7 | (168,329) | (167,933) |
| Interest income | | (125,669) | (44,260) |
| Provision for employees' end of service benefits | | 50,095 | 61,258 |
| Operating profit before working capital changes | | 1,865,923 | 2,498,645 |
| Working capital changes: | | | |
| Inventories | | (18,755) | (7,786) |
| Trade and other receivables | | (652,190) | 147,665 |
| Trade and other payables | | (86,622) | 220,707 |
| Cash flows from operations | | 1,108,356 | 2,859,231 |
| Employees' end of service benefits paid | | (35,714) | (17,068) |
| Directors' remuneration paid | 11 | (179,000) | (179,000) |
| Charitable contributions paid | | (39,000) | (39,000) |
| Net cash flows from operating activities | | 854,642 | 2,624,163 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (602,942) | (407,732) |
| Proceeds from disposal of property, plant and equipment | | - | 1,500 |
| Purchase of available-for-sale investment | | - | (2,000,000) |
| Dividends received from an associate | 4 | 1,500,000 | 1,400,000 |
| Other dividends received | | 168,329 | 167,933 |
| Interest received | | 125,669 | 44,260 |
| Net cash flows from (used in) investing activities | | 1,191,056 | (794,039) |
| FINANCING ACTIVITIES | | | |
| Repayments of term loan | | (1,864,827) | (1,864,827) |
| Dividends paid | 8 | (1,310,097) | (1,310,097) |
| Net cash flows used in financing activities | | (3,174,924) | (3,174,924) |
| DECREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | (1,129,226) | (1,344,800) |
| Cash and cash equivalents at 1 January | | 4,581,621 | 6,040,512 |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER | 6 | 3,452,395 | 4,695,712 |

Non-cash items:

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 125,607 (30 September 2016: BD 117,301) with a net increase of BD 102,973 during the period (30 September 2016: net increase of BD 15,480) were not settled as of the date of interim statement of financial position.
- (ii) Unclaimed dividends pertaining to prior years amounting to BD 256,804 (30 September 2016: BD 237,211) [note 6] with a net increase of BD 22,794 (30 September 2016: BD 25,668) 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 nine months ended 30 September 2017 (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 equity BD |
|--|---------------------|-----------------------|-------------------------|-----------------------|---------------------------|--|-------------------------|-------------------------|--------------------|
| As at 1 January 2017 | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 31,206,911 | 2,273,944 | 29,282,547 | 1,310,097 | 82,706,352 |
| Profit for the period | - | - | - | - | - | - | 1,775,951 | - | 1,775,951 |
| Other comprehensive loss for the period | - | - | - | - | (191,299) | (191,299) | - | - | (191,299) |
| Total comprehensive (loss) income for the period | - | - | - | - | (191,299) | (191,299) | 1,775,951 | - | 1,584,652 |
| Dividends declared (note 8) | - | - | - | - | - | - | - | (1,310,097) | (1,310,097) |
| As at 30 September 2017 (reviewed) | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 31,206,911 | 2,082,645 | 31,058,498 | - | 82,980,907 |
| As at 1 January 2016 | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 35,604,343 | 2,426,752 | 27,079,711 | 1,310,097 | 85,053,756 |
| Profit for the period | - | - | - | - | - | - | 2,597,296 | - | 2,597,296 |
| Other comprehensive loss for the period | - | - | - | - | (153,609) | (153,609) | - | - | (153,609) |
| Total comprehensive (loss) income for the period | - | - | - | - | (153,609) | (153,609) | 2,597,296 | - | 2,443,687 |
| Dividends declared (note 8) | - | - | - | - | - | - | - | (1,310,097) | (1,310,097) |
| As at 30 September 2016 (reviewed) | 11,025,000 | (94,726) | 5,512,500 | 2,190,079 | 35,604,343 | 2,273,143 | 29,677,007 | - | 86,187,346 |

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

30 September 2017 (Reviewed)

1 CORPORATE INFORMATION

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

The Company operates solely in the Kingdom of Bahrain.

Associate

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2016: 33.33%).

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 19 October 2017.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the nine months ended 30 September 2017 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting".

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as at 31 December 2016. In addition, results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Company is not required to provide additional disclosures in its condensed interim financial statements, but will disclose additional information in its annual financial statements for the year ended 31 December 2017.

Annual Improvements 2014-2016 Cycle

IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

30 September 2017 (Reviewed)

2 ACCOUNTING POLICIES (continued)**Significant accounting policies (continued)**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The above standards do not impact the Company's condensed interim financial statements.

3 PROPERTY, PLANT AND EQUIPMENT

During the nine months ended 30 September 2016, the Company incurred capital expenditure amounting to BD 705,915 (nine months ended 30 September 2016: BD 423,212, year ended 31 December 2016: BD 458,149) on its various capital expenditure projects.

No assets were written off by the Company during the nine months ended 30 September 2017 (nine months ended 30 September 2016: same, year ended 31 December 2016: BD 36,390).

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 the interim condensed financial statements.

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

| | 30 September 2017 Reviewed BD | 31 December 2016 Audited BD | 30 September 2016 Reviewed BD |
|--|--|--|--|
| Balance at 1 January | 7,571,085 | 6,872,407 | 6,872,407 |
| Share of profit during the period / year * | 1,204,391 | 2,113,407 | 1,469,343 |
| Dividends received during the period / year | (1,500,000) | (1,400,000) | (1,400,000) |
| Share in associate's cumulative changes in fair values | (7,226) | (14,729) | (46,208) |
| | 7,268,250 | 7,571,085 | 6,895,542 |

* Based on the approved management accounts of African & Eastern (Bahrain) W.L.L., profit of BD 3,613,534 (30 September 2016: BD 4,408,470) was recognised for the nine months ended 30 September 2017. The Company has recognised profit of BD 1,204,391 (30 September 2016: BD 1,469,343) in these interim condensed financial statements representing its 33.33% share.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017 (Reviewed)

5 AVAILABLE-FOR-SALE INVESTMENTS

| | 30 September 2017 Reviewed BD | 31 December 2016 Audited BD |
|---------------------------------|--|--|
| Equity investments: | | |
| Quoted investments | 4,362,263 | 4,546,336 |
| Unquoted investments (at cost)* | 310,800 | 310,800 |
| | 4,673,063 | 4,857,136 |

* The unquoted investments are carried at cost, as fair value cannot be reliably determined due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

The movements in the quoted available-for-sale investments are as follows:

| | 30 September 2017 Reviewed BD | 31 December 2016 Audited BD | 30 September 2016 Reviewed BD |
|--|--|--|--|
| Balance at 1 January | 4,546,336 | 2,684,415 | 2,684,415 |
| Additions during the period** | - | 2,000,000 | 2,000,000 |
| Unrealised loss on available-for-sale investment | (184,073) | (138,079) | (107,401) |
| | 4,362,263 | 4,546,336 | 4,577,014 |

** The additions during the year pertains to Government Development bonds issued by the Central Bank of Bahrain on behalf of the Government of Kingdom of Bahrain during the nine months ended 30 September 2017. The bond carries interest at a fixed rate of 4.45% per annum and matures on 21 July 2019.

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 13).

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:

| | 30 September 2017 Reviewed BD | 31 December 2016 Audited BD | 30 September 2016 Reviewed BD |
|--|--|--|--|
| Cash on hand | 7,419 | 8,200 | 8,175 |
| Cash at bank | 3,701,780 | 4,807,431 | 2,063,654 |
| Term deposits | - | - | 2,861,094 |
| Bank balances and cash | 3,709,199 | 4,815,631 | 4,932,923 |
| Restricted cash | (256,804) | (234,010) | (237,211) |
| Cash and cash equivalents as per the interim statement of cash flows | 3,452,395 | 4,581,621 | 4,695,712 |

30 September 2017 (Reviewed)

6 CASH AND CASH EQUIVALENTS (continued)

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

Term deposits as of 30 September 2016 are short term deposits, denominated in Bahraini Dinars and held with a commercial bank in the Kingdom of Bahrain with an average effective interest rate of 1.19%. These term deposits have original maturities of one month and was not rolled over as of 30 September 2017 and 31 December 2016.

7 SEASONALITY OF RESULTS

Dividend income of BD 168,329 for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: BD 167,933) is of a seasonal nature.

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 2016: 110,250,000 shares of BD 0.100 each).

The issued and paid-up share capital was not increased during the nine months ended 30 September 2017 (nine months ended 30 September 2016: same).

Dividends

At the annual general meeting of the shareholders held on 16 February 2017, the shareholders of the Company resolved to distribute cash dividends of 12 fils per share totalling BD 1,310,097 (30 September 2016: cash dividends of 12 fils per share amounting to BD 1,310,097 from retained earnings).

9 EARNINGS PER SHARE

| | <i>For the three months ended</i> | | <i>For the nine months ended</i> | |
|---|-----------------------------------|---------------------|----------------------------------|---------------------|
| | 30 September | <i>30 September</i> | 30 September | <i>30 September</i> |
| | 2017 | <i>2016</i> | 2017 | <i>2016</i> |
| | Reviewed | <i>Reviewed</i> | Reviewed | <i>Reviewed</i> |
| Profit for the period - BD | 431,987 | 744,555 | 1,775,951 | 2,597,296 |
| Average shares in issue - net of treasury shares | 109,174,743 | 109,174,743 | 109,174,743 | 109,174,743 |
| Basic and diluted earnings per share - in fils | 4 | 7 | 16 | 24 |

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

30 September 2017 (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 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.

| Three months ended 30 September | Hotel business and corporate | | | Office towers | | | Investments | | | Total | | | |
|------------------------------------|---------------------------------|----|-------------|---------------|-----------|------|-------------|----|----------|-------|-------------|------|-------------|
| | 2017 | | 2016 | 2017 | | 2016 | 2017 | | 2016 | 2017 | | 2016 | |
| | Reviewed | BD | Reviewed | BD | Reviewed | BD | Reviewed | BD | Reviewed | BD | Reviewed | BD | |
| Gross operating revenue | 1,365,349 | | 1,668,867 | | 272,645 | | 259,739 | | - | | 1,637,994 | | 1,928,606 |
| Gross operating costs | (1,099,309) | | (1,144,526) | | (79,474) | | (81,791) | | - | | (1,178,783) | | (1,226,317) |
| Gross operating profit | 266,040 | | 524,341 | | 193,171 | | 177,948 | | - | | 459,211 | | 702,289 |
| Investment income (net) | - | | - | | - | | - | | 534,088 | | 534,088 | | 617,032 |
| Miscellaneous income | 61,811 | | 60,375 | | - | | - | | - | | 61,811 | | 60,375 |
| Depreciation | (299,786) | | (298,424) | | (216,347) | | (215,432) | | - | | (516,133) | | (513,856) |
| Expenses | (83,701) | | (72,439) | | - | | - | | - | | (83,701) | | (72,439) |
| Financial charges | (17) | | (7) | | (23,272) | | (48,839) | | - | | (23,289) | | (48,846) |
| Profit (loss) for the period | (55,653) | | 213,846 | | (46,448) | | (86,323) | | 534,088 | | 431,987 | | 744,555 |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017 (Reviewed)

10 SEGMENT INFORMATION (continued)

| Nine months ended 30 September | Hotel business and corporate | | Office towers | | Investments | | Total | |
|-----------------------------------|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD | Reviewed BD |
| Gross operating revenue | 4,854,348 | 5,703,440 | 829,109 | 771,670 | - | - | 5,683,457 | 6,475,110 |
| Gross operating costs | (3,411,102) | (3,527,521) | (224,448) | (207,850) | - | - | (3,635,550) | (3,735,371) |
| Gross operating profit | 1,443,246 | 2,175,919 | 604,661 | 563,820 | - | - | 2,047,907 | 2,739,739 |
| Investment income (net) | - | - | - | - | 1,503,729 | 1,676,888 | 1,503,729 | 1,676,888 |
| Miscellaneous income | 193,407 | 184,574 | - | - | - | - | 193,407 | 184,574 |
| Depreciation | (897,112) | (872,288) | (646,494) | (645,579) | - | - | (1,543,606) | (1,517,867) |
| Expenses | (335,921) | (323,710) | - | - | - | - | (335,921) | (323,710) |
| Financial charges | (85) | (538) | (89,480) | (161,790) | - | - | (89,565) | (162,328) |
| Profit (loss) for the period | 403,535 | 1,163,957 | (131,313) | (243,549) | 1,503,729 | 1,676,888 | 1,775,951 | 2,597,296 |

| Hotel business and corporate | Office towers | | Investments | | Total | | |
|---------------------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|------------|
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | |
| | Reviewed BD | Audited BD | Reviewed BD | Audited BD | Reviewed BD | Audited BD | |
| Total assets | 44,105,706 | 44,208,974 | 27,206,239 | 27,269,717 | 15,696,778 | 17,284,778 | 88,763,469 |
| Total liabilities | 1,910,802 | 2,061,467 | 2,117,014 | 3,995,650 | - | - | 6,057,117 |
| Capital expenditure | 705,915 | 458,149 | - | - | - | - | 705,915 |

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

30 September 2017 (Reviewed)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

| | <i>Trade and other payables</i> | |
|------------------------------|---------------------------------|--------------------|
| | <i>30 September</i> | <i>31 December</i> |
| | <i>2017</i> | <i>2016</i> |
| | <i>Reviewed</i> | <i>Audited</i> |
| | <i>BD</i> | <i>BD</i> |
| Associated company | 9,225 | 10,093 |
| Management company (Rezidor) | 78,439 | 108,874 |
| Directors | - | 179,000 |
| | 87,664 | 297,967 |

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.

No directors' remuneration was charged to interim statement of profit or loss during the period ended 30 September 2017 (30 September 2016: same). Further, the directors' remuneration paid during the period amounted to BD 179,000 (30 September 2016: BD 179,000).

Compensation of key management personnel

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

| | <i>For the three months ended</i> | | <i>For the nine months ended</i> | |
|--------------------------|-----------------------------------|---------------------|----------------------------------|---------------------|
| | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> |
| | <i>2017</i> | <i>2016</i> | <i>2017</i> | <i>2016</i> |
| | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> | <i>Reviewed</i> |
| | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> |
| Short-term benefits | 43,708 | 41,851 | 134,177 | 128,658 |
| Post-employment benefits | 3,249 | 3,761 | 11,151 | 18,600 |
| | 46,957 | 45,612 | 145,328 | 147,258 |

12 COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to BD 5.66 million as of 30 September 2017 pertaining to refurbishment of hotel rooms and lobby (31 December 2016: BD 4.5 million).

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

30 September 2017 (Reviewed)

13 FAIR VALUE MEASUREMENT

As at 30 September 2017, the Company held the following classes of assets measured at fair value:

| | Date of valuation | Fair value measurement using | | | Total (Reviewed) 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 investment | 30 September 2017 | 4,362,263 | - | - | 4,362,263 |
| Held-for-trading investments | 30 September 2017 | 46,266 | - | - | 46,266 |
| Revalued freehold land | 1 December 2016 | - | - | 31,774,218 | 31,774,218 |

As at 31 December 2016, the Company held the following classes of assets measured at fair value:

| | Date of valuation | Fair value measurement using | | | Total (Audited) 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 investment | 31 December 2016 | 4,546,336 | - | - | 4,546,336 |
| Held-for-trading investments | 31 December 2016 | 40,926 | - | - | 40,926 |
| Revalued freehold land | 1 December 2016 | - | - | 31,774,218 | 31,774,218 |

During the reporting periods ended 30 September 2017 and 30 September 2016 and year ended 31 December 2016, there have been no transfers between Level 1, Level 2 and Level 3 fair value hierarchy.

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

The management assessed that cash and bank balances, 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.