

National Hotels Company B.S.C.

**INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 JUNE 2019 (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 30 June 2019, comprising of the interim statement of financial position as at 30 June 2019 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 six-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.



18 July 2019
Manama, Kingdom of Bahrain

National Hotels Company B.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2019 (Reviewed)

		30 June 2019 Reviewed BD	31 December 2018 Audited BD
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	3	35,053,915	35,900,777
Investment properties	4	37,089,961	37,380,956
Investment in an associate	5	7,513,168	7,758,073
Non-current investments	6	2,833,287	2,693,435
Total non-current assets		82,490,331	83,733,241
Current assets			
Inventories		81,155	76,994
Current investments	6	2,059,668	2,049,470
Trade and other receivables		550,810	459,838
Bank balances and cash	7	1,151,388	175,108
Total current assets		3,843,021	2,761,410
TOTAL ASSETS		86,333,352	86,494,651
EQUITY AND LIABILITIES			
Equity			
Share capital	9	11,025,000	11,025,000
Share capital under registration	9	1,102,500	-
Treasury shares		(94,726)	(94,726)
Statutory reserve		5,512,500	5,512,500
General reserve		1,087,579	1,087,579
Revaluation reserve		13,391,305	13,391,305
Investment revaluation reserve		2,200,710	2,060,858
Share of reserves of associate		156,439	102,286
Retained earnings		50,053,787	49,266,801
Proposed bonus shares	9	-	1,102,500
Total equity		84,435,094	83,454,103
Non-current liability			
Employees' end of service benefits		304,026	331,782
Total non-current liability		304,026	331,782
Current liabilities			
Trade and other payables		1,594,232	2,098,185
Bank overdraft	7	-	610,581
Total current liabilities		1,594,232	2,708,766
Total liabilities		1,898,258	3,040,548
TOTAL EQUITY AND LIABILITIES		86,333,352	86,494,651


 Faisal Ahmed Al Zayani
 Chairman


 Adel N Hamadeh
 Vice Chairman and Managing Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.
INTERIM STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2019 (Reviewed)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		Reviewed BD	Reviewed BD	Reviewed BD	Reviewed BD
Revenue from contracts with customers		1,401,303	1,269,315	2,954,877	2,451,941
Rental income		286,964	276,344	586,382	551,406
Revenue		1,688,267	1,545,659	3,541,259	3,003,347
Gross operating costs		(1,212,393)	(1,141,879)	(2,334,354)	(2,242,706)
GROSS OPERATING PROFIT		475,874	403,780	1,206,905	760,641
Net investment income:					
Share of profit from an associate	5	384,642	312,433	902,617	682,028
Dividend income	8	649	556	111,743	108,927
Interest income		31,412	26,613	56,446	58,785
Fair value gain on investments at fair value through profit or loss - net	6	4,653	211	10,198	769
		421,356	339,813	1,081,004	850,509
Miscellaneous income		95,194	77,797	176,322	160,322
Depreciation		(701,994)	(508,468)	(1,386,146)	(1,016,780)
General and administration expenses		(105,529)	(168,584)	(285,956)	(369,728)
Financial charges		(22)	(16,433)	(3,468)	(26,199)
PROFIT FOR THE PERIOD		184,879	127,905	788,661	358,765
BASIC AND DILUTED EARNINGS PER SHARE (in fils)	10	2	1	7	3

Faisal Ahmed Al Zayani
Chairman

Adel N Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019 (Reviewed)

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	Reviewed	Reviewed	Reviewed	Reviewed
Note	BD	BD	BD	BD
Profit for the period	184,879	127,905	788,661	358,765
Other comprehensive income				
<i>Other comprehensive 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	30,679	92,036	139,852	61,357
Share in associate's other comprehensive income	5 21,330	7,006	54,153	22,760
Other comprehensive income for the period	52,009	99,042	194,005	84,117
Total comprehensive income for the period	236,888	226,947	982,666	442,882

Faisal Ahmed Al Zayani
Chairman

Adel N Hamadeh
Vice Chairman and Managing Director

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 (Reviewed)

	Share capital BD	Share capital registration BD	Share capital under 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 bonus shares BD	Total BD
As at 1 January 2019	11,025,000	-	-	(94,726)	5,512,500	1,087,579	13,391,305	2,060,858	102,286	49,266,801	1,102,500	83,454,103
Effect of adoption of IFRS 16 by an associate	-	-	-	-	-	-	-	-	-	(1,675)	-	(1,675)
As at 1 January 2019 (restated)	11,025,000	-	-	(94,726)	5,512,500	1,087,579	13,391,305	2,060,858	102,286	49,265,126	1,102,500	83,452,428
Profit for the period	-	-	-	-	-	-	-	-	-	788,661	-	788,661
Other comprehensive income for the period	-	-	-	-	-	-	-	139,852	54,153	-	-	194,005
Total comprehensive income for the period	-	-	-	-	-	-	-	139,852	54,153	788,661	-	982,666
Issue of bonus shares (note 9)	-	1,102,500	-	-	-	-	-	-	-	-	(1,102,500)	-
As at 30 June 2019 (reviewed)	11,025,000	1,102,500	(94,726)	(94,726)	5,512,500	1,087,579	13,391,305	2,200,710	156,439	50,053,787	-	84,435,094

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 (Reviewed)

	Share capital	Treasury shares	Statutory reserve	General reserve	Revaluation reserve	Investment revaluation reserve	Share of associate	Retained earnings	Proposed dividend	Total
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD
As at 1 January 2018	11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	22,548	48,183,786	1,091,747	83,147,974
Transfer to retained earnings on adoption of IFRS 9 by an associate	-	-	-	-	-	-	42,843	(42,843)	-	-
As at 1 January 2018 (restated)	11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,825,735	65,391	48,140,943	1,091,747	83,147,974
Profit for the period	-	-	-	-	-	-	-	358,765	-	358,765
Other comprehensive income for the period	-	-	-	-	-	61,357	22,760	-	-	84,117
Total comprehensive income for the period	-	-	-	-	-	61,357	22,760	358,765	-	442,882
Dividends declared (note 9)	-	-	-	-	-	-	-	-	(1,091,747)	(1,091,747)
As at 30 June 2018 (reviewed)	11,025,000	(94,726)	5,512,500	2,190,079	13,391,305	1,887,092	88,151	48,499,708	-	82,499,109

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.
INTERIM STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019 (Reviewed)

	Notes	Six months ended 30 June	
		2019 Reviewed BD	2018 Reviewed BD
OPERATING ACTIVITIES			
Profit for the period		788,661	358,765
Adjustments for:			
Depreciation		1,386,146	1,016,780
Profit on disposal of property, plant and equipment		(431)	-
Share of profit from an associate	5	(902,617)	(682,028)
Fair value gain on investments at fair value through profit or loss - net	6	(10,198)	(769)
Dividend income	8	(111,743)	(108,927)
Interest income		(56,446)	(58,785)
Interest expense		2,868	25,556
Provision for ECLs		57,942	58,450
Provision for employees' end of service benefits		30,362	54,029
Operating profit before working capital changes		1,184,544	663,071
Working capital changes:			
Inventories		(4,161)	15,561
Trade and other receivables		(144,958)	154,982
Trade and other payables		(153,354)	(541,298)
Cash flows from operations		882,071	292,316
Employees' end of service benefits paid		(58,118)	(174,473)
Directors' remuneration paid	12	(33,500)	(95,000)
Charitable contributions paid		(44,000)	(24,900)
Net cash flows from (used in) operating activities		746,453	(2,057)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(513,772)	(2,779,367)
Dividends received from an associate	5	1,200,000	1,100,000
Other dividends received	8	111,743	108,927
Interest received		52,490	54,829
Net cash flows from (used in) investing activities		850,461	(1,515,611)
FINANCING ACTIVITIES			
Repayments of term loan		-	(1,243,215)
Dividends paid	9	-	(1,091,747)
Interest paid		(2,868)	(25,556)
Net cash flows used in financing activities		(2,868)	(2,360,518)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,594,046	(3,878,186)
Cash and cash equivalents at 1 January		(541,368)	2,927,269
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	1,052,678	(950,917)

Non-cash items:

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 270,998 (30 June 2018: BD 603,037) with net decrease of BD 265,914 during the period (30 June 2018: net increase of BD 233,490) were not settled as of the date of interim statement of financial position.
- (ii) Assets disposed off with trade-in value of BD 7,250 were adjusted against the purchase of property, plant and equipment (30 June 2018: nil).
- (iii) Unclaimed dividends pertaining to prior years amounting to BD 98,710 (30 June 2018: BD 533,276) with a net decrease of BD 7,185 during the period (30 June 2018: net increase of BD 272,496) has been excluded from the movement of trade and other payables.

The attached notes 1 to 15 form part of these interim condensed financial statements.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (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. (2018: 33.33%).

The interim condensed financial statements were authorised for issue by the Board of Directors on 18 July 2019.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2019 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 2018. In addition, results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

The Company applies, for the first time, IFRS 16 *Leases*.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the Company measures the right-of-use assets at 1 January 2019 at an amount which is equal to the lease liability (subject to certain amendments). The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the date of initial application, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applies a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. As of the reporting date, the Company did not have any leases where it is the lessee.

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

IFRS 16 Leases (continued)

b) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the date of initial application, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the date of initial application. After the date of initial application, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the date of initial application and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below BD 2,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The following other amendments and interpretation apply for the first time in 2019, but do not have a material impact on the interim condensed financial statements of the Company.

- *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*
- *Amendments to IAS 28: Long-term interests in associates and joint ventures*

Annual Improvements 2015-2017 Cycle

- *IFRS 3 Business Combinations*
- *IFRS 11 Joint Arrangements*
- *IAS 12 Income Taxes*
- *IAS 23 Borrowing Costs*

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (Reviewed)

3 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Company incurred BD 255,108 (six months ended 30 June 2018: BD 3,012,857, year ended 31 December 2018: BD 4,862,363) on its various capital expenditure projects.

Assets with a net book value of BD 6,819 were disposed off during the six months ended 30 June 2019 (six months ended 30 June 2018: nil, year ended 31 December 2018: nil).

No assets were written off by the Company during the six months ended 30 June 2019 (six months ended 30 June 2018: same, year ended 31 December 2018: BD 109,519).

4 INVESTMENT PROPERTIES

The movement during the period ended 30 June 2019 pertains to depreciation of BD 290,995 (six months ended 30 June 2018: BD 290,995). The investment properties were valued by an independent valuer on 19 December 2018 and their fair value amounted to BD 40,394,710 as of 30 June 2019 (31 December 2018: BD 40,394,710). The fair value was measured under level 3 fair value hierarchy (note 14). Management considered that the fair value has not change significantly between 31 December 2018 and 30 June 2019.

5 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2018: 33.33%) interest in African & Eastern (Bahrain) W.L.L. (the "Associate"), 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 June 2019 Reviewed BD	31 December 2018 Audited BD	30 June 2018 Reviewed BD
Balance at 1 January	7,758,073	7,709,859	7,709,859
Effect of adoption of IFRS 16	(1,675)	-	-
Balance at 1 January (restated)	<u>7,756,398</u>	<u>7,709,859</u>	<u>7,709,859</u>
Share of profit for the period / year (i)	902,617	1,611,319	682,028
Dividends received during the period / year	(1,200,000)	(1,600,000)	(1,100,000)
Share in associate's other comprehensive income	54,153	36,895	22,760
	<u><u>7,513,168</u></u>	<u><u>7,758,073</u></u>	<u><u>7,314,647</u></u>

(i) Based on the reviewed interim condensed financial statements of African & Eastern (Bahrain) W.L.L., a profit of BD 2,704,132 was recognised for the six months ended 30 June 2019 (six months ended 30 June 2018: BD 2,046,287). The Company has recognised a share of profit of BD 902,617 in these interim condensed financial statements representing their 33.33% share (six months ended 30 June 2018: BD 682,028).

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (Reviewed)

6 INVESTMENTS

	30 June 2019 Reviewed BD	31 December 2018 Audited BD
Debt instruments at amortised cost (i)	2,000,000	2,000,000
Equity investments at FVOCI		
Quoted equity investments (ii) (note 14)	2,484,978	2,346,924
Unquoted equity investments (iii) (note 14)	348,309	346,511
Equity investments at FVPL		
Quoted equity investments (iv) (note 14)	59,668	49,470
	4,892,955	4,742,905
Total current	2,059,668	2,049,470
Total non-current	2,833,287	2,693,435
	4,892,955	4,742,905

(i) The balance relates to Government of Bahrain Development Bonds that are scheduled to mature in July 2019 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:

	30 June 2019 Reviewed BD	31 December 2018 Audited BD	30 June 2018 Reviewed BD
Balance at 1 January	2,346,924	2,147,512	2,147,512
Fair value gain - net for the period / year	138,054	199,412	61,357
	2,484,978	2,346,924	2,208,869

(iii) The movement in the unquoted equity investments of FVOCI is as follows:

	30 June 2019 Reviewed BD	31 December 2018 Audited BD	30 June 2018 Reviewed BD
Balance at 1 January	346,511	310,800	310,800
Fair value gain - net for the period / year	1,798	35,711	-
	348,309	346,511	310,800

(iv) The movement in quoted equity investments at FVPL of BD 10,198 (six months ended 30 June 2018: BD 769) pertains to fair value gain - net.

For fair value hierarchy of the Company's investments, refer to note 14.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (Reviewed)

7 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 June 2019 Reviewed BD	31 December 2018 Audited BD	30 June 2018 Reviewed BD
Cash on hand	8,123	8,013	8,022
Cash at bank	1,143,265	167,095	737,798
Bank balances and cash	1,151,388	175,108	745,820
Bank overdraft	-	(610,581)	(1,163,461)
Restricted cash	(98,710)	(105,895)	(533,276)
Cash and cash equivalents	1,052,678	(541,368)	(950,917)

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

The Company has two bank overdraft facilities of BD 2 million and BD 3 million, respectively, to finance working capital requirements granted by financial institutions in the Kingdom of Bahrain. Both facilities bear interest of 3.5% per annum above one month Bahrain Interbank Offered Rate charged monthly.

8 SEASONALITY OF RESULTS

Dividend income of BD 111,743 for the six months ended 30 June 2019 (six months ended 30 June 2018: BD 108,927) maybe of a seasonal nature due to usual timing of payments.

9 EQUITY

Share capital

	30 June 2019 BD	31 December 2018 BD
Authorised: 150,000,000 (31 December 2018: 150,000,000) ordinary shares of BD 0.100 each	15,000,000	15,000,000
Issued and fully paid: 110,250,000 (31 December 2018: 110,250,000) shares of BD 0.100 each	11,025,000	11,025,000

Dividends and bonus share under registration

At the shareholders' annual general meeting held on 28 March 2019, the shareholders of the Company resolved to distribute bonus shares from the general reserve at 1 bonus shares for each 10 shares held totalling 11,025,000 bonus shares with a nominal value of BD 1,102,500. The increase in share capital is currently under registration.

During the six months period ended 30 June 2018 cash dividends of 10 fils per share amounted to BD 1,091,747 from retained earnings was paid.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (Reviewed)

10 EARNINGS PER SHARE

	<i>For the three months ended</i>		<i>For the six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>	<i>Reviewed</i>
Profit for the period - BD	184,879	127,905	788,661	358,765
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 (before bonus shares are registered)	2	1	7	3
Average shares in issue - net of treasury shares (assuming bonus shares are registered)	119,016,961	119,016,961	119,016,961	119,016,961
Basic and diluted earnings per share -in fils	2	1	7	3

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

At 30 June 2019 (Reviewed)

11 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 deposit.

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 trade and other payables.

	Hotel business and corporate			Office towers			Investments			Total			
	2019		2018	2019		2018	2019		2018	2019		2018	
	Reviewed	BD	Reviewed	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	
Three months ended 30 June													
Revenue from contracts with customers	1,401,303		1,269,315	-		-		-		1,401,303		1,269,315	
Rental income	-		-	286,964		276,344		-		286,964		276,344	
Gross operating costs	(1,138,267)		(1,058,888)	(74,126)		(82,991)		-		(1,212,393)		(1,141,879)	
Gross operating profit	263,036		210,427	212,838		193,353		-		475,874		403,780	
Net investment income	-		-	-		-		421,356		421,356		339,813	
Miscellaneous income	95,194		77,797	-		-		-		95,194		77,797	
Depreciation	(486,776)		(292,561)	(215,218)		(215,907)		-		(701,994)		(508,468)	
General and administration expenses	(105,529)		(168,584)	-		-		-		(105,529)		(168,584)	
Financial charges	(22)		(15,054)	-		(1,379)		-		(22)		(16,433)	
(Loss) profit for the period	(234,097)		(187,975)	(2,380)		(23,933)		421,356		184,879		127,905	

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (Reviewed)

11 SEGMENT INFORMATION (continued)

Six months ended 30 June	Hotel business and corporate		Office towers		Investments		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	Reviewed BD	Reviewed BD	Reviewed BD	Reviewed BD	Reviewed BD	Reviewed BD	Reviewed BD	Reviewed BD
Revenue from contracts with customers	2,954,877	2,451,941	-	-	-	-	2,954,877	2,451,941
Rental income	-	-	586,382	551,406	-	-	586,382	551,406
Gross operating costs	(2,189,891)	(2,090,231)	(144,463)	(152,475)	-	-	(2,334,354)	(2,242,706)
Gross operating profit	764,986	361,710	441,919	398,931	-	-	1,206,905	760,641
Net investment income	-	-	-	-	1,081,004	850,509	1,081,004	850,509
Miscellaneous income	176,322	160,322	-	-	-	-	176,322	160,322
Depreciation	(955,582)	(584,965)	(430,564)	(431,815)	-	-	(1,386,146)	(1,016,780)
General and administration expenses	(285,956)	(369,728)	-	-	-	-	(285,956)	(369,728)
Financial charges	(3,468)	(15,715)	-	(10,484)	-	-	(3,468)	(26,199)
(Loss) profit for the period	(303,698)	(448,376)	11,355	(43,368)	1,081,004	850,509	788,661	358,765

Total assets	Hotel business and corporate		Office towers		Investments		Total	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	Reviewed BD	Audited BD	Reviewed BD	Audited BD	Reviewed BD	Audited BD	Reviewed BD	Audited BD
Total assets	33,178,457	34,752,257	40,748,772	39,241,416	12,406,123	12,500,978	86,333,352	86,494,651
Total liabilities	1,786,517	2,926,076	111,741	114,472	-	-	1,898,258	3,040,548
Capital expenditure	255,108	4,862,363	-	-	-	-	255,108	4,862,363

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

At 30 June 2019 (Reviewed)

12 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:

	For the three months ended 30 June 2019 (Reviewed)			For the three months ended 30 June 2018 (Reviewed)		
	Purchases BD	Fees for management services BD	Other expenses BD	Purchases BD	Fees for management services BD	Other expenses BD
Associate	22,784	-	-	15,093	-	-
Management company (Rezidor)	-	35,185	5,588	-	46,348	8,096
Directors	-	-	45,375	-	-	6,000
	<u>22,784</u>	<u>35,185</u>	<u>50,963</u>	<u>15,093</u>	<u>46,348</u>	<u>14,096</u>
	For the six months ended 30 June 2019 (Reviewed)			For the six months ended 30 June 2018 (Reviewed)		
	Purchases BD	Fees for management services BD	Other expenses BD	Purchases BD	Fees for management services BD	Other expenses BD
Associate	45,684	-	-	30,804	-	-
Management company (Rezidor)	-	78,756	10,475	-	70,708	12,838
Directors	-	-	90,375	-	-	24,750
	<u>45,684</u>	<u>78,756</u>	<u>100,850</u>	<u>30,804</u>	<u>70,708</u>	<u>37,588</u>

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (Reviewed)

12 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 receivables</i>		<i>Trade and other payables</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>Reviewed</i>	<i>Audited</i>	<i>Reviewed</i>	<i>Audited</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Associate	-	-	10,578	18,318
Management company (Rezidor)	7,196	15,894	140,543	165,235
Directors	1,480	3,177	64,125	119,500
	8,676	19,071	215,246	303,053

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.

Directors' remuneration charged to interim statement of profit or loss during the six months ended 30 June 2019 amounted to BD 64,125 (six months ended 30 June 2018: 25,000). Further, the directors' remuneration related to year ended 31 December 2018 paid during the period amounted to BD 33,500 (six months ended 30 June 2018: BD 95,000 related to year ended 31 December 2017).

Compensation of key management personnel

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

	<i>For the three</i>		<i>For the six</i>	
	<i>months ended</i>		<i>months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</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	27,344	59,587	90,158	115,293
Post-employment benefits	1,032	64,741	1,239	88,990
	28,376	124,328	91,397	204,283

13 COMMITMENTS

The Board of Directors have not authorised any future capital expenditure as of 30 June 2019 and 31 December 2018.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

At 30 June 2019 (Reviewed)

14 FAIR VALUE MEASUREMENT

As at 30 June 2019, the Company held the following classes of assets measured at fair value:

<i>Fair value measurement using (Reviewed)</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>(Reviewed)</i>	<i>BD</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>		<i>BD</i>
Assets measured at fair value:					
<i>Investments at FVOCI</i>	<i>30 June 2019</i>	2,484,978	-	348,309	2,833,287
<i>Investments at FVPL</i>	<i>30 June 2019</i>	59,668	-	-	59,668
<i>Revalued freehold land</i>	<i>19 December 2018</i>	-	-	13,779,508	13,779,508

As at 31 December 2018, 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>(Audited)</i>	<i>BD</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 2018</i>	2,346,924	-	346,511	2,693,435
<i>Investments at FVPL</i>	<i>31 December 2018</i>	49,470	-	-	49,470
<i>Revalued freehold land</i>	<i>19 December 2018</i>	-	-	13,779,508	13,779,508

Fair value of financial instruments is estimated based on the following methods and assumptions:

- Cash and bank balances, trade and other receivables 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 reporting periods ended 30 June 2019 and 30 June 2018 and year ended 31 December 2018, there have been no transfers between Level 1, Level 2 and Level 3 fair value hierarchy.

For reconciliation of unquoted equity investments classified as Level 3 fair value hierarchy, refer to note 6. There is no movement in the revalued freehold land, therefore, reconciliation of Level 3 fair value hierarchy is not disclosed. For fair value hierarchy and disclosure of fair value information for assets for which fair value is required to be disclosed, refer to note 4.

15 COMPARATIVE INFORMATION

Certain comparative information in the interim statement of profit or loss and interim statement of cash flows have been reclassified to conform to the current period presentation. Such reclassifications do not affect previously reported profit or equity.