

National Hotels Company B.S.C.
Condensed interim financial information
30 June 2020



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Independent auditors' report on review of condensed interim financial information

The Board of Directors
National Hotels Company BSC
Kingdom of Bahrain

23 July 2020

Introduction

We have reviewed the accompanying 30 June 2020 condensed interim financial information of National Hotels Company BSC ("the Company") which comprises:

- the condensed statement of financial position as at 30 June 2020;
- the condensed statement of profit or loss for the six-month period ended 30 June 2020;
- the condensed statement of comprehensive income six-month period ended 30 June 2020;
- the condensed statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed statement of cash flows for the six-month period ended 30 June 2020; and
- notes to the condensed interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this condensed interim financial information 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 30 June 2020 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

Emphasis of matter

We draw attention to Note 11 to the condensed interim financial information which describes the effect of the Coronavirus (COVID-19) pandemic on the Company's operations, interim results and its related uncertainties. Our conclusion is not modified in respect of this matter.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019, and the condensed interim financial information for the period ended 30 June 2019, from which the corresponding figures of condensed statement of financial position, condensed statement of profit or loss, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows have been derived, were audited and reviewed by another auditor who issued an unmodified audit opinion and review conclusion on those financial statements and financial information respectively.

National Hotels Company B.S.C.

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

| | | 30 June 2020 (Reviewed) BD | 31 December 2019 (Audited) BD |
|--|---|-------------------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 33,446,707 | 34,135,204 |
| Investment property | | 36,425,738 | 36,798,965 |
| Investment in an associate | 3 | 7,054,342 | 7,995,852 |
| Investments at fair value through other comprehensive income | 4 | 2,648,275 | 2,741,251 |
| Investments at fair value through profit or loss | 4 | 2,000,000 | 2,000,000 |
| Total non-current assets | | 81,575,062 | 83,671,272 |
| Current assets | | | |
| Inventories | | 85,009 | 106,798 |
| Investments at fair value through profit or loss | 4 | 51,083 | 61,515 |
| Trade receivables and other assets | | 534,910 | 465,104 |
| Bank deposits | | 1,000,000 | 1,000,000 |
| Cash and cash equivalents | 5 | 2,107,351 | 2,029,491 |
| Total current assets | | 3,778,353 | 3,662,908 |
| TOTAL ASSETS | | 85,353,415 | 87,334,180 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | | 12,127,500 | 12,127,500 |
| Treasury shares | | (94,726) | (94,726) |
| Statutory reserve | | 5,670,492 | 5,670,492 |
| General reserve | | 1,087,579 | 1,087,579 |
| Property revaluation reserve | | 13,391,305 | 13,391,305 |
| Investment fair value reserve | | 2,015,698 | 2,108,674 |
| Share of reserves of associate | | 90,108 | 181,300 |
| Retained earnings | | 49,686,139 | 50,687,050 |
| Total equity | | 83,974,095 | 85,159,174 |
| Liabilities | | | |
| Non-current liability | | | |
| Employees' end of service benefits | | 306,904 | 303,129 |
| Total non-current liability | | 306,904 | 303,129 |
| Current liabilities | | | |
| Trade and other payables | | 1,072,416 | 1,871,877 |
| Total current liabilities | | 1,072,416 | 1,871,877 |
| Total liabilities | | 1,379,320 | 2,175,006 |
| TOTAL EQUITY AND LIABILITIES | | 85,353,415 | 87,334,180 |



Faisal Ahmed Al Zayani
Chairman



Adel Nahabah Hamadeh
Vice Chairman and Managing Director

The accompanying notes 1 to 12 form an integral part of this condensed interim financial information.

National Hotels Company B.S.C.
CONDENSED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

| | Notes | Six months ended 30 June | |
|--|-------|-----------------------------|--------------------------|
| | | 2020 (Reviewed) BD | 2019 (Reviewed) BD |
| Revenue from contracts with customers | | 1,511,831 | 2,954,877 |
| Rental income | | 573,689 | 586,382 |
| Total revenue | | 2,085,520 | 3,541,259 |
| Operating costs | | (1,453,960) | (2,276,412) |
| GROSS OPERATING PROFIT | | 631,560 | 1,264,847 |
| Share of profit of an associate | 3 | 549,682 | 902,617 |
| Dividend income | 6 | 111,743 | 111,743 |
| Interest income | | 107,574 | 56,446 |
| Change in fair value on investments at fair value through profit or loss | 4 | (10,432) | 10,198 |
| | | 1,390,127 | 2,345,851 |
| Other income | | 162,595 | 176,322 |
| Depreciation | | (1,221,256) | (1,386,146) |
| General and administration expenses | | (129,249) | (289,424) |
| Impairment on financial assets | | (2,206) | (57,942) |
| PROFIT / (LOSS) FOR THE PERIOD | | 200,011 | 788,661 |
| BASIC AND DILUTED EARNINGS PER SHARE (in fils) | 7 | 2 | 7 |



Faisal Ahmed Al Zayani
Chairman



Adel Nahabah Hamadeh
Vice Chairman and Managing Director

The accompanying notes 1 to 12 form an integral part of this condensed interim financial information.

National Hotels Company B.S.C.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

| | | <i>Six months ended</i> | |
|--------------|---|-------------------------|-------------------|
| | | <i>30 June</i> | |
| | | 2020 | 2019 |
| | | (Reviewed) | (Reviewed) |
| <i>Notes</i> | | BD | BD |
| | Profit for the period | 200,011 | 788,661 |
| | Other comprehensive income | | |
| | <i>Other comprehensive income that will not 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 | (92,976) | 139,852 |
| | Share in associate's other comprehensive income | (91,192) | 54,153 |
| | Other comprehensive income for the period | (184,168) | 194,005 |
| | Total comprehensive income for the period | 15,843 | 982,666 |

The accompanying notes 1 to 12 form an integral part of this condensed interim financial

National Hotels Company B.S.C.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

| 30 June 2020 (reviewed) | <i>Share capital</i> <i>BD</i> | <i>Treasury shares</i> <i>BD</i> | <i>Statutory reserve</i> <i>BD</i> | <i>General reserve</i> <i>BD</i> | <i>Property revaluation reserve</i> <i>BD</i> | <i>Investment revaluation reserve</i> <i>BD</i> | <i>Share of reserves of associate</i> <i>BD</i> | <i>Retained earnings</i> <i>BD</i> | <i>Total</i> <i>BD</i> |
|---|-----------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|--|--|--|---------------------------------------|---------------------------|
| As at 1 January 2020 | 12,127,500 | (94,726) | 5,670,492 | 1,087,579 | 13,391,305 | 2,108,674 | 181,300 | 50,687,050 | 85,159,174 |
| Profit for the period | - | - | - | - | - | - | - | 200,011 | 200,011 |
| Other comprehensive income for the period | - | - | - | - | - | (92,976) | (91,192) | - | (184,168) |
| Total comprehensive income for the period | - | - | - | - | - | (92,976) | (91,192) | 200,011 | 15,843 |
| Cash dividend paid for 2019 | - | - | - | - | - | - | - | (1,200,922) | (1,200,922) |
| 30 June 2020 | 12,127,500 | (94,726) | 5,670,492 | 1,087,579 | 13,391,305 | 2,015,698 | 90,108 | 49,686,139 | 83,974,095 |

The accompanying notes 1 to 12 form an integral part of this condensed interim financial information.

National Hotels Company B.S.C.

CONDENSED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2020

| 30 June 2019 (reviewed) | Share capital BD | Treasury shares BD | Statutory reserve BD | General reserve BD | Property revaluation reserve BD | Investment revaluation reserve BD | Share of reserves of associate BD | Retained earnings 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 | 50,369,301 | 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 | 50,367,626 | 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 | 1,102,500 | - | - | - | - | - | - | (1,102,500) | - |
| 30 June 2019 | <u>12,127,500</u> | <u>(94,726)</u> | <u>5,512,500</u> | <u>1,087,579</u> | <u>13,391,305</u> | <u>2,200,710</u> | <u>156,439</u> | <u>50,053,787</u> | <u>84,435,094</u> |

The accompanying notes 1 to 12 form an integral part of this condensed interim financial information.

National Hotels Company B.S.C.
CONDENSED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2020

| | | <i>Six months ended</i> | |
|-----------------------------|---|-------------------------|-------------------|
| | | <i>30 June</i> | |
| | | 2020 | 2019 |
| | | (Reviewed) | (Reviewed) |
| <i>Notes</i> | | BD | BD |
| OPERATING ACTIVITIES | | | |
| | Profit for the period | 200,011 | 788,661 |
| | Adjustments for: | | |
| | Depreciation | 1,221,256 | 1,386,146 |
| | Profit on disposal of property, plant and equipment | - | (431) |
| | Share of profit of an associate | (549,682) | (902,617) |
| | Change in fair value on investments at FVTPL | 10,432 | (10,198) |
| | Dividend income | (111,743) | (111,743) |
| | Interest income | (107,574) | (56,446) |
| | Interest expense | 53 | 2,868 |
| | Impairment on financial assets | 2,206 | 57,942 |
| | Provision for employees' benefits | 26,329 | 30,362 |
| | Operating profit before working capital changes | 691,288 | 1,184,544 |
| | Change in inventories | 21,789 | (4,161) |
| | Change in trade and other receivables | (69,806) | (144,958) |
| | Change in trade and other payables | (604,442) | (153,354) |
| | Cash flows from operations | 38,829 | 882,071 |
| | Employees' benefits paid | (22,553) | (58,118) |
| | Directors' remuneration paid | (156,125) | (33,500) |
| | Charitable contributions paid | (55,000) | (44,000) |
| | Net cash flows (used in) / from operating activities | (194,849) | 746,453 |
| INVESTING ACTIVITIES | | | |
| | Purchase of property, plant and equipment | (191,129) | (513,772) |
| | Dividends received from an associate | 1,400,000 | 1,200,000 |
| | Dividends received | 111,743 | 111,743 |
| | Interest received | 76,481 | 52,490 |
| | Net cash flows from investing activities | 1,397,095 | 850,461 |
| FINANCING ACTIVITIES | | | |
| | Dividends paid | (1,200,922) | - |
| | Finance cost paid | (53) | (2,868) |
| | Net cash used in financing activities | (1,200,975) | (2,868) |
| | Increase in cash and cash equivalents | 1,271 | 1,594,046 |
| | Cash and cash equivalents at 1 January | 1,933,003 | (541,368) |
| | Cash and cash equivalents at 30 June | 1,934,274 | 1,052,678 |

The accompanying notes 1 to 12 form an integral part of this condensed interim financial information.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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, Residence and Spa, which is managed by Rezidor Hotel Group ("Rezidor") ("Hotel's operator") under a 15 year management agreement dated 20 July 2000. 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. (2019: 33.33%).

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting".

The interim condensed financial information does not contain all information and disclosures required for the full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as at 31 December 2019. In addition, results for the six months ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

In preparing these condensed interim financial information, management make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2019 except for the impact of Coronavirus (COVID 19) outbreak as explained in note 11.

Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2019. Considering the evolving situation due to the Covid-19 pandemic, the Company has taken an enhanced and pre-emptive measures to monitor and mitigate additional risks such as credit, liquidity and operational risks. This includes convening of more frequent meetings of management and board and invoking contingency plans to monitor and respond to all operational and liquidity related matters.

New and amended standards and interpretations

A number of new standards, amendments and interpretations, which became effective as of 1 January 2020, which did not have a material impact on the financial statements of the Company.

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 2019. The Company has not opted for an early adoption of any other standard, interpretation or amendment that has been issued but is not yet effective.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

3 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2019: 33.33%) interest in African & Eastern (Bahrain) W.L.L., which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. African & Eastern (Bahrain) W.L.L. is a private entity that is not listed on any public exchange. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in these interim condensed financial statements.

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

| | 30 June 2020 Reviewed BD | <i>31 December 2019 Audited BD</i> |
|---|---|--|
| Balance at 1 January | 7,995,852 | 7,758,073 |
| Effect of adoption of IFRS 16 | - | (1,675) |
| Balance at 1 January (restated) | <u>7,995,852</u> | <u>7,756,398</u> |
| Share of profit for the period / year (i) | 549,682 | 2,060,440 |
| Dividends received during the period / year | (1,400,000) | (1,900,000) |
| Share in associate's other comprehensive income | (91,192) | 79,014 |
| | <u><u>7,054,342</u></u> | <u><u>7,995,852</u></u> |

(i) Based on the reviewed condensed interim financial information of African & Eastern (Bahrain) W.L.L., profit of BD 1,649,050 (six months ended 30 June 2019: BD 2,704,132) was recognised by the associate for the six months ended 30 June 2020. The Company has recognised a share of profit of BD 549,682 (six months ended 30 June 2019: BD 902,617) in these condensed interim financial information.

4 INVESTMENTS

| | 30 June 2020 (Reviewed) BD | <i>31 December 2019 (Audited) BD</i> |
|------------------------------------|---|--|
| Equity investments at FVOCI | | |
| Quoted equity investments | 2,297,838 | 2,392,942 |
| Unquoted equity investments | 350,437 | 348,309 |
| | <u><u>2,648,275</u></u> | <u><u>2,741,251</u></u> |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

4 INVESTMENTS (continued)

The movement in the equity investments of FVOCI is as follows:

| | 30 June 2020 (Reviewed) BD | 31 December 2019 (Audited) BD |
|--|---|--|
| Balance at 1 January | 2,741,251 | 2,693,435 |
| Change in fair value during the period | (92,976) | 47,816 |
| | 2,648,275 | 2,741,251 |
| Equity investments at FVTPL | | |
| Unquoted equity investment (i) | 2,000,000 | 2,000,000 |
| Quoted equity investments | 51,083 | 61,515 |
| | 2,051,083 | 2,061,515 |

(i) Unquoted equity investment of BD 2,000,000 (2019: BD 2,000,000), represents Restricted Investment Account (RIA) Mudaraba Certificates pertaining to underlying investment in International Commodity Murabaha Financing for Corporate (Real Estate) entities with Kuwait Finance House "KFH" – Bahrain portfolio. The RIA Mudaraba Certificates mature on 3 September 2021 and carries an interest rate of 6.5% per annum.

(ii) The movement in the quoted equity investments of FVTPL is as follows:

| | 2020 (Reviewed) BD | 2019 (Audited) BD |
|--|-----------------------------------|----------------------------------|
| Balance at 1 January | 2,061,515 | 49,470 |
| Change in fair value during the period | (10,432) | 2,012,045 |
| | 2,051,083 | 2,061,515 |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

5 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:

| | <i>Six months ended</i> | |
|--|-------------------------|--------------------|
| | <i>30 June</i> | |
| | 30 June | <i>31 December</i> |
| | 2020 | <i>2019</i> |
| | (Reviewed) | <i>(Audited)</i> |
| | BD | <i>BD</i> |
| Cash on hand | 5,645 | 7,807 |
| Cash at bank | 2,101,706 | 2,021,684 |
| Bank balances and cash | 2,107,351 | 2,029,491 |
| Restricted cash (i) | (173,077) | (96,488) |
| Cash and cash equivalents as per the condensed statement of cash flows | 1,934,274 | 1,933,003 |

(i) Restricted cash represents unclaimed dividends and has not been included in cash and cash equivalents.

The Company has two bank overdraft facilities of BD 2 million and BD 500 thousands, respectively, to finance working capital requirements that were 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.

6 SEASONALITY OF RESULTS

Dividend income of BD 111,743 for the six months ended 30 June 2020 (for the six months ended 30 June 2019: BD 111,743) maybe of a seasonal nature due to usual timing of payments. However, uncertainties arising due to the current Covid - 19 related economic conditions, restrictions on travel and social distancing measures has impacted the Company, hotel and leasing operations, leading to decline in occupancy rates and room rates and increase in costs of additional protective measures.

At the shareholders' annual general meeting held on 26 March 2020, the shareholders of the Company resolved to distribute cash dividends of 10 fils per share totalling BD 1,200,922 that was paid in April 2020 (April 2019: BD Nil)

7 EARNINGS PER SHARE

| | <i>For the six months ended</i> | |
|--|---------------------------------|-------------------|
| | <i>30 June</i> | <i>30 June</i> |
| | 2020 | <i>2019</i> |
| | (Reviewed) | <i>(Reviewed)</i> |
| Profit for the period – BD | 200,011 | 788,661 |
| Average shares in issue - net of treasury shares | 120,092,219 | 109,174,743 |
| Basic and diluted earnings per share - in fils | 2 | <i>7</i> |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

8 SEGMENT INFORMATION

The Company's operating businesses are organised into the following segments:

| | | |
|---------------------------|---|---|
| Hotel business | - | Room rental, food and beverage sales, conference and events. |
| Office towers | - | Office rental from two commercial towers. |
| Investments and corporate | - | Income from investments including an associate, current and non-current investments and term deposits and head office expenses. |

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.

| | <i>Hotel business</i> | | <i>Office towers</i> | | <i>Investments and corporate</i> | | <i>Total</i> | |
|---------------------------------------|-----------------------|-------------------|----------------------|-------------------|----------------------------------|-------------------|--------------------|-------------------|
| | 2020 | <i>2019</i> | 2020 | <i>2019</i> | 2020 | <i>2019</i> | 2020 | <i>2019</i> |
| | (Reviewed) | <i>(Reviewed)</i> | (Reviewed) | <i>(Reviewed)</i> | (Reviewed) | <i>(Reviewed)</i> | (Reviewed) | <i>(Reviewed)</i> |
| <i>Six months ended 30 June</i> | BD | <i>BD</i> | BD | <i>BD</i> | BD | <i>BD</i> | BD | <i>BD</i> |
| Revenue from contracts with customers | 1,511,831 | 2,954,877 | - | - | - | - | 1,511,831 | 2,954,877 |
| Rental income | - | - | 573,689 | 586,382 | - | - | 573,689 | 586,382 |
| Gross operating costs | (1,334,296) | (2,189,891) | (119,664) | (144,463) | - | - | (1,453,960) | (2,334,354) |
| Gross operating profit | 177,535 | 764,986 | 454,025 | 441,919 | - | - | 631,560 | 1,206,905 |
| Investment income - net* | - | - | - | - | 758,566 | 1,081,004 | 758,566 | 1,081,004 |
| Other Income | - | - | - | - | 162,595 | 176,322 | 162,595 | 176,322 |
| Depreciation | (848,028) | (955,582) | (373,227) | (430,564) | - | - | (1,221,255) | (1,386,146) |
| General and administration expenses | - | - | - | - | (129,196) | (285,956) | (129,196) | (285,956) |
| Impairment of financial assets | (2,206) | - | - | - | - | - | (2,206) | - |
| Financial charges | - | - | - | - | (53) | (3,468) | (53) | (3,468) |
| (Loss) / profit for the period | (672,699) | (190,596) | 80,798 | 11,355 | 791,912 | 967,902 | 200,011 | 788,661 |

*Includes share of profit of associate

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

8 SEGMENT INFORMATION (continued)

| | <i>Hotel business</i> | | <i>Office towers</i> | | <i>Investments and corporate</i> | | <i>Total</i> | |
|-------------------|---|---|---|---|---|---|---|---|
| | 30 June 2020 <i>(Reviewed)</i> <i>BD</i> | <i>31 December 2019</i> <i>(Reviewed)</i> <i>BD</i> | 30 June 2020 <i>(Reviewed)</i> <i>BD</i> | <i>31 December 2019</i> <i>(Reviewed)</i> <i>BD</i> | 30 June 2020 <i>(Reviewed)</i> <i>BD</i> | <i>31 December 2019</i> <i>(Reviewed)</i> <i>BD</i> | 30 June 2020 <i>(Reviewed)</i> <i>BD</i> | <i>31 December 2019</i> <i>(Reviewed)</i> <i>BD</i> |
| Total assets | 34,066,626 | 34,707,106 | 36,425,738 | 36,798,965 | 14,861,051 | 15,828,109 | 85,353,415 | 87,334,180 |
| Total liabilities | 1,360,394 | 2,163,971 | 14,720 | 6,320 | 4,206 | 4,715 | 1,379,320 | 2,175,006 |

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

For the six months ended 30 June 2020

9 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.

| | <i>For the six months ended 30 June 2020 (Reviewed)</i> | | | | |
|------------------------------|---|------------------|----------------------------|---------------------------|----------------|
| | <i>Share of profit</i> | <i>Purchases</i> | <i>Management fees</i> | <i>Other expenses</i> | <i>Revenue</i> |
| | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> |
| Shareholder | - | - | - | - | 306,372 |
| Associate | 549,682 | 9,583 | - | - | - |
| Management Company (Rezidor) | - | - | 39,667 | 11,144 | - |
| Directors | - | - | - | 36,898 | 1,589 |
| | 549,682 | 9,583 | 39,667 | 48,042 | 307,961 |

| | <i>For the six months ended 30 June 2019 (Reviewed)</i> | | | | |
|------------------------------|---|------------------|----------------------------|---------------------------|----------------|
| | <i>Share of profit</i> | <i>Purchases</i> | <i>Management fees</i> | <i>Other expenses</i> | <i>Revenue</i> |
| | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> | <i>BD</i> |
| Shareholder | - | - | - | - | 306,372 |
| Associate | 902,617 | 45,684 | - | - | - |
| Management Company (Rezidor) | - | - | 78,756 | 10,475 | - |
| Directors | - | - | - | 90,375 | 1,330 |
| | 902,617 | 45,684 | 78,756 | 100,850 | 307,702 |

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> | |
|------------------------------|---|--|---|--|
| | 30 June 2020 Reviewed BD | <i>31 December 2019 Audited BD</i> | 30 June 2020 Reviewed BD | <i>31 December 2019 Audited BD</i> |
| Associate | - | 870 | 183 | 17,519 |
| Management Company (Rezidor) | 4,030 | 17,997 | 112,426 | 96,522 |
| Directors | 2,852 | 1,136 | 21,898 | 156,125 |
| | 6,882 | 20,003 | 134,507 | 270,166 |

Terms and conditions of transactions with related parties

Outstanding balances at the period-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.

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Terms and conditions of transactions with related parties (continued)

Directors' remuneration charged to interim statement of profit or loss during the period ended 30 June 2020 amounted to BD 19,648 (30 June 2019: 64,125). Further, the directors' remuneration related to year ended 31 December 2019 paid during the period amounted to BD 156,125 (30 June 2019: BD 33,500 related to year ended 31 December 2018).

Compensation of key management personnel

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

| | <i>For the six months ended</i> | |
|--------------------------|---|---|
| | 30 June 2020 Reviewed BD | 30 June 2019 Reviewed BD |
| Short-term benefits | 39,900 | 90,158 |
| Post-employment benefits | 1,149 | 1,239 |
| | 41,049 | 91,397 |

10 FAIR VALUE MEASUREMENT

As at 30 June 2020, the Company held the following classes of assets measured at fair value:

| | <i>Fair value measurement using (Reviewed)</i> | | | Total BD |
|---------------------------------------|---|---|---|---------------------|
| | Quoted prices in active markets (Level 1) BD | Significant observable inputs (Level 2) BD | Significant unobservable inputs (Level 3) BD | |
| Assets measured at fair value: | | | | |
| <i>Investments at FVOCI</i> | 2,297,838 | - | 350,437 | 2,648,275 |
| <i>Investments at FVTPL</i> | 51,083 | - | 2,000,000 | 2,051,083 |

National Hotels Company B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2020

10 FAIR VALUE MEASUREMENT (continued)

As at 31 December 2019, the Company held the following classes of assets measured at fair value:

| | Fair value measurement using (Audited) | | | Total BD |
|--------------------------------|--|--|--|-------------|
| | Quoted prices prices in active markets (Level 1) BD | Significant observable inputs (Level 2) BD | Significant unobservable inputs (Level 3) BD | |
| Assets measured at fair value: | | | | |
| Investments at FVOCI | 2,392,942 | - | 348,309 | 2,741,251 |
| Investments at FVTPL | 61,515 | - | 2,000,000 | 2,061,515 |

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

- Cash and bank balances, term deposits, 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.

During the periods ended 30 June 2020 and 30 June 2019 and year ended 31 December 2019, there have been no transfers between Level 1, Level 2 and Level 3 fair value hierarchy.

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

11 IMPACT OF COVID 19

On 11 March 2020, the COVID 19 outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Company. The Company is actively monitoring the COVID 19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Company has received some benefits from these Packages mainly in the form of temporary waiver of Electricity and Water Authority utility bills, Government levy and partial reimbursement of salaries of employees from the Unemployment Fund.

Included in statement of profit or loss is BD 88,583 of government support received relating to supporting the payroll of Company's employees, BD 119,765 relating to utility bills and BD 21,173 relating to Government levy. The Company has elected to present this support by reducing the related expense.

11 IMPACT OF COVID 19 (continued)

The management and the Board of Directors (BOD) have been closely monitoring the potential impact of the COVID 19 developments on the Company's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts, outsourcing arrangements etc. Based on their assessment, the BOD is of the view that the Company will continue as a going concern entity for the next 12 months from the date of this condensed consolidated interim financial information.

In preparing the condensed interim financial information, judgements made by management in applying the Company's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

12 COMPARATIVE INFORMATION

Certain comparative information have been reclassified to conform to the current period presentation. Such reclassifications do not affect previously reported profit or equity.