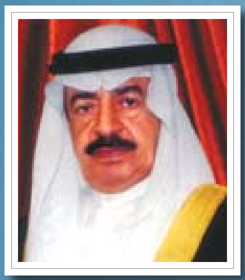
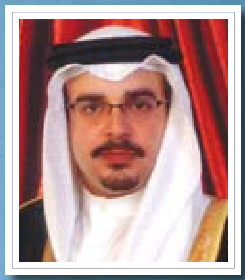


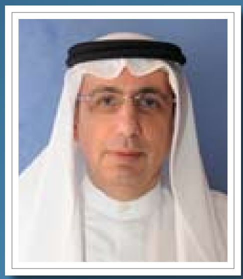
His Royal Highness
Prince Khalifa bin Salman Al Khalifa
The Prime Minister

His Majesty
King Hamad bin Isa Al Khalifa
King of Bahrain

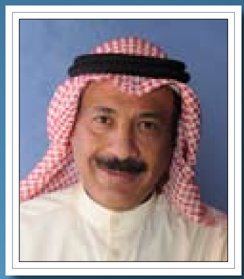


His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince and Deputy Supreme Commander

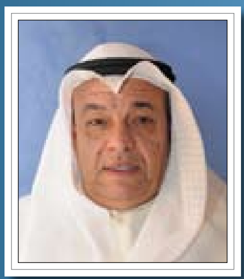
Board of Directors



Mr. Faisal Ahmed Al Zayani
Chairman

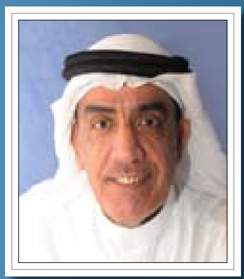


Mr. Yousef Dekheel Al Dekheel
Vice Chairman & M.D.

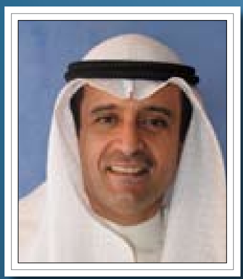


Mr. Mishari Z. H. Al Khalid
Director

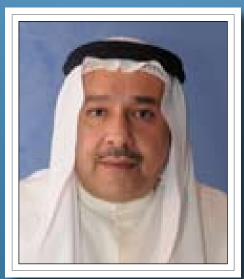
Mr. Mohammed Ali Talib
Director



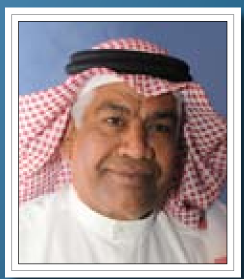
Mr. Abdul Latif Ahmed Al Zayani
Director



Mr. Ayad Abdulla Ahmed Al Sumait
Director



Mr. Nabil Abdulla Al Khalaf Al Saeed
Director



Mr. A. Rahman A. Morshed
General Manager

Board of Directors' Report 2009

Dear Shareholders,

It gives me great pleasure to submit to you the Company's Annual Report and Audited Accounts for the year ending 31st December 2009.

The year 2009 has, as expected, been a fairly difficult year as the adverse effect of the prevailing financial crisis has hardened and hit almost all aspects of the economy causing unprecedented economic slowdown. The published figures for the year will clearly show that the Hotel and Tourism sector has had its full share of this slowdown. We have, however, acted very early in the year to reduce our operational costs and general expenses to minimize the impact on our overall trading result. Following are the highlights of this year's result:

- Total revenue is reduced to BD12,128,626/-, a 11% reduction over last year.
- Shareholders equity however increased by 7% over last year.
- Net Profit BD6,050,447/- up by 3.5% over last year.
- Earning per share is 61 fils

Dear Shareholders,

Our main project, The Diplomat Commercial Office Tower and Car Park continues to progress satisfactorily. As at the end of 2009, a total of 14 floors have been structurally finished, 2 basement floors, 5 parking floors above ground and 6 floors out of 29 of the Office Tower. On the other hand, we have also successfully completed the Diplomat Hotel building façade project. The new look of the Hotel makes it gracefully comparable to the buildings around.

Dear Shareholders,

Your Board, having discussed and approved the final audited figures for the year 2009, submit the following recommendations for endorsement by the Ordinary General Assembly with regard to the year 2009 profit:

1. to allocate 10% of the profit i.e. BD605,045/- to Statutory Reserve Account.
2. to declare and pay cash dividend to the Shareholders @ 20% of Share Capital i.e. BD1,980,494/-, 20 fils per share.
3. to approve BD144,000/- for Directors' remuneration already charged as an expense in the Income Statement.
4. to approve BD100,000/- for the support of National Institutions and Charity Accounts already charged as an expense in the Income Statement.
5. to transfer the balance of the profit of BD3,464,908/- to the Retained Earnings Account.

Finally, I would like to express personally and on behalf of my members of the Board and the Shareholders, my thanks and appreciation to His Majesty The King, Shaikh Hamad bin Isa Al Khalifa, His Royal Highness The Prime Minister, Prince Khalifa bin Salman Al Khalifa, and His Royal Highness The Crown Prince and Commander-in-Chief of the Bahrain Defence Force, Prince Salman bin Hamad Al Khalifa for their support and assistance to the Company. I would also like to thank all the officials at Government Ministries, Organisations and esteemed customers for their continuous backing to us. Special tribute must be paid to all the Company's employees led by the General Manager, Mr. AbdulRahman Morshed, the Executive Managers and the rest of the Diplomat Radisson Blu Hotel employees for their sincere efforts in serving the Company.

With the Grace of God,

Faisal Ahmed Al Zayani — **Manama**

Chairman — **17.2.2010**

Auditors' Report to the Shareholders

We have audited the accompanying financial statements of National Hotels Company B.S.C. ('the Company') which comprise the statement of financial position as at 31 December 2009 and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

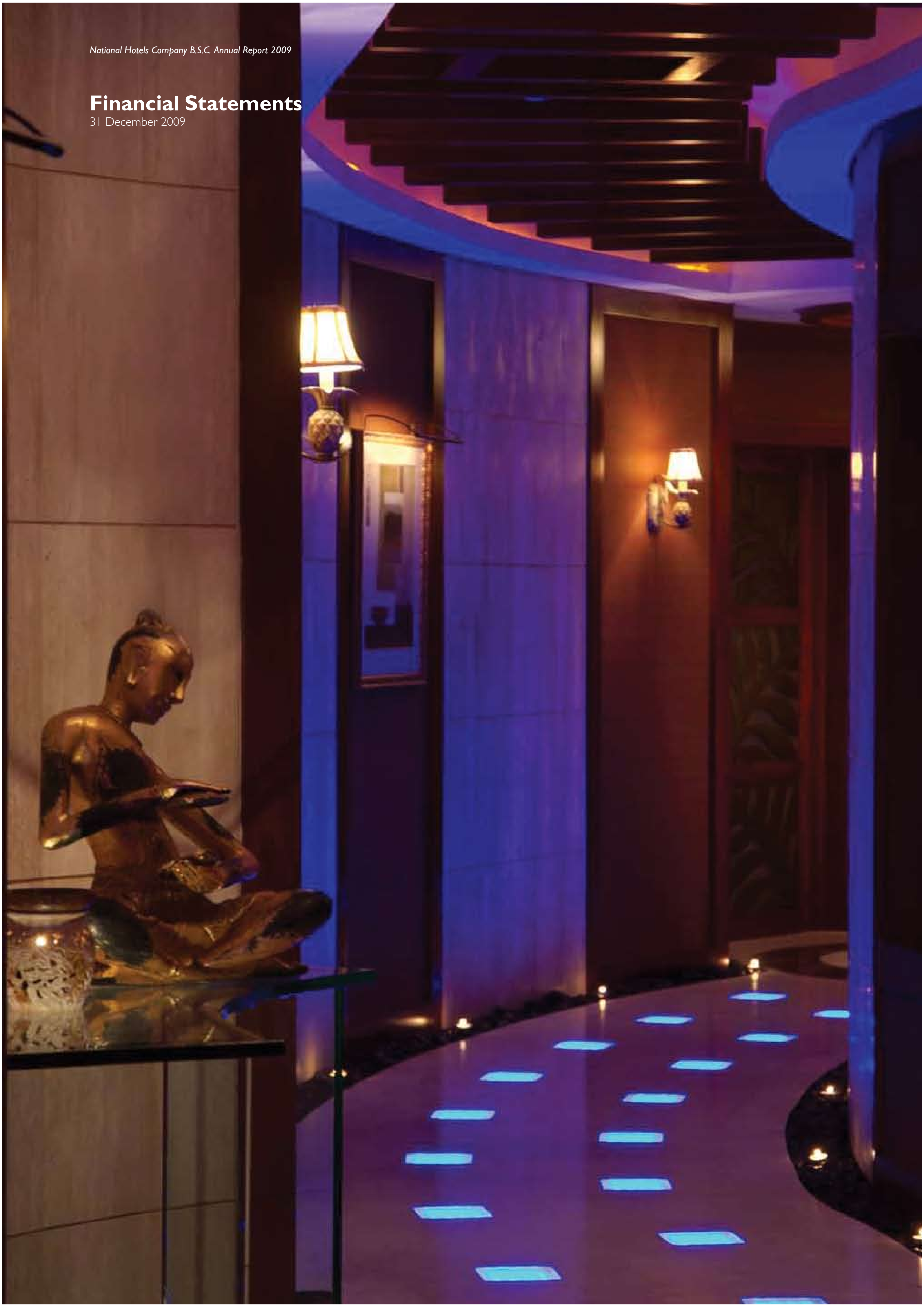
Other matters

We confirm that, in our opinion, proper accounting records have been kept by the Company and the financial statements, and the contents of the Report of the Board of Directors relating to these financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2009 that might have had a material adverse effect on the business of the Company or on its financial position.

Ernst + Young

17 February 2010
Manama, Kingdom of Bahrain

Financial Statements
31 December 2009



Statement of Financial Position

31 December 2009

	Note	2009 BD	2008 BD
ASSETS			
Non-current assets			
Property, plant and equipment	5	**55,518,836**	51,305,900
Investment in an associate	6	**3,358,609**	2,578,703
Available-for-sale investments	7	**2,624,330**	2,752,892
Total non-current assets		**61,501,775**	56,637,495
Current assets			
Inventories	8	**74,384**	123,991
Held-for-trading investments	9	**341,330**	807,670
Available-for-sale investments	7	**-**	139,832
Trade and other receivables	10	**977,146**	999,103
Bank balances and cash	11	**5,560,150**	4,230,324
Total current assets		**6,953,010**	6,300,920
TOTAL ASSETS		**68,454,785**	62,938,415
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**10,000,000**	10,000,000
Treasury shares	13	**(94,726)**	(94,726)
Statutory reserve	14	**3,867,696**	3,262,651
General reserve	15	**3,215,079**	3,215,079
Revaluation reserve	16	**27,602,997**	27,602,997
Cumulative changes in fair values		**1,668,691**	1,661,043
Retained earnings		**15,100,600**	11,635,692
Proposed dividend		**1,980,494**	1,782,445
Total equity		**63,340,831**	59,065,181
Non-current liabilities			
Employees' end of service benefits	18	**233,211**	220,542
Borrowings	19	**1,569,155**	336,188
Total non-current liabilities		**1,802,366**	556,730
Current liabilities			
Trade and other payables	20	**3,311,588**	3,316,504
Total current liabilities		**3,311,588**	3,316,504
Total liabilities		**5,113,954**	3,873,234
TOTAL EQUITY AND LIABILITIES		**68,454,785**	62,938,415

Faisal Ahmed Al Zayani
Chairman

Yousef Dekheel Al Dekheel
Vice Chairman and Managing Director

The attached notes 1 to 32 from part of these financial statements.

Statement of Income
Year Ended 31 December 2009

	Note	**2009 BD**	2008 BD
Gross operating revenue	21	**12,128,626**	13,582,570
Gross operating costs	22	**(5,803,504)**	(6,480,765)
GROSS OPERATING PROFIT		**6,325,122**	7,101,805
Share of profit from an associate	6	**898,115**	1,089,546
Miscellaneous income	23	**279,666**	288,519
Dividend income		**196,779**	190,390
Interest on term deposits		**181,525**	78,887
Net realised gain on sale of available-for-sale investments	7	**33,288**	622
Net changes in cumulative fair value of held-for-trading investments		**17,356**	(882,737)
Depreciation	5	**(1,293,116)**	(1,482,322)
General and administration expenses		**(588,288)**	(541,025)
PROFIT FOR THE YEAR	24	**6,050,447**	5,843,685
Basic and diluted earnings per share (in fils)	25	**61**	59
Dividend per share (in fils)	17 (b)	**20**	18

The attached notes 1 to 32 from part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 BD	2008 BD
Profit for the year		**6,050,447**	5,843,685
Other comprehensive income			
Net movement in fair values of available for sale investments during the year	7	**(128,561)**	(164,664)
Realised gains transferred to statement of comprehensive income on disposal of available-for-sale investments	7	**(45,582)**	(622)
Share in associates's cumulative changes in fair values	6	**181,791**	(205,770)
Other comprehensive income (loss) for the year		**7,648**	(371,056)
Total comprehensive income for the year		**6,058,095**	5,472,629

The attached notes 1 to 32 from part of these financial statements.

Statement of Cash flows
Year Ended 31 December 2009

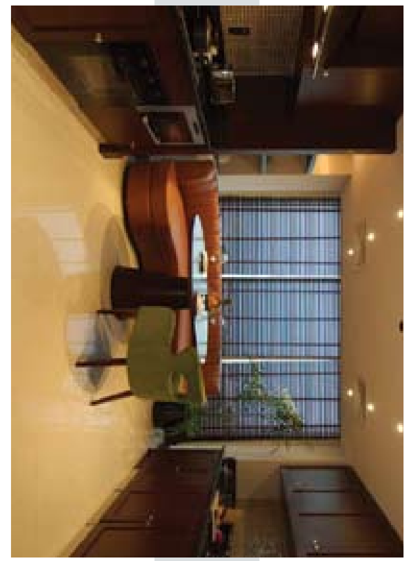
	Notes	2009 BD	2008 BD
OPERATING ACTIVITIES			
Profit for the year		**6,050,447**	5,843,685
Adjustments for:			
Depreciation	5	**1,293,116**	1,482,322
Share of profit from an associate	6	**(898,115)**	(1,089,546)
Provision (write back of provision) for doubtful receivables	10	**4,331**	(35,866)
Provision for employees' end of service benefits	18	**58,803**	74,536
Write-off of property, plant and equipment		**2,043**	1,773
Profit on disposal of available-for-sale investments	7	**(33,288)**	(622)
Net change in the value of held-for-trading investments		**(17,356)**	882,737
Dividend income		**(196,779)**	(190,390)
Interest on term deposits		**(181,525)**	(78,887)
Operating profit before working capital changes		**6,081,677**	6,889,742
Working capital changes:			
Inventories		**49,607**	93,318
Trade and other receivables		**17,626**	(64,864)
Trade and other payables		**(1,107,505)**	(487,313)
Cash from operations		**5,041,405**	6,430,883
Directors' remuneration paid		**(124,000)**	(124,000)
Employees' end of service benefits paid	18	**(46,134)**	(52,944)
Charity contributions paid		**(74,000)**	(51,750)
Net cash from operating activities		**4,797,271**	6,202,189
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,205,463)**	(3,109,633)
Dividend received from an associate	6	**300,000**	465,000
Other dividends received		**196,779**	190,390
Interest received		**181,525**	78,887
Proceeds from disposal of available-for-sale investments	7	**127,538**	1,907
Proceeds from managed portfolios		**481,654**	-
Net cash used in investing activities		**(2,917,967)**	(2,373,449)
FINANCING ACTIVITIES			
Dividends paid	17 (a)	**(1,782,445)**	(1,782,949)
Proceeds from borrowings		**3,532,967**	1,944,706
Repayments of borrowings		**(2,300,000)**	(1,608,518)
Net cash used in financing activities		**(549,478)**	(1,446,761)
INCREASE IN CASH AND CASH EQUIVALENTS		**1,329,826**	2,381,979
Cash and cash equivalents at 1 January		**4,230,324**	1,848,345
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**5,560,150**	4,230,324

Non-cash item:
Liabilities towards acquisition of property, plant and equipment to the extent of BD 1,300,589 (2008: BD 814,613) were not settled as of the date of statement of financial position.

The attached notes 1 to 32 from part of these financial statements.

Statement of Changes in Equity

Year ended 31 December 2009



	Notes	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Cumulative changes in fair values BD	Retained earnings BD	Proposed dividend BD	Total BD
Balance at 1 January 2009		10,000,000	(94,726)	3,262,651	3,215,079	27,602,997	1,661,043	11,635,692	1,782,445	59,065,181
Comprehensive income for the year		-	-	-	-	-	7,648	6,050,447	-	6,058,095
Dividend paid - 2008	17 (a)	-	-	-	-	-	-	-	(1,782,445)	(1,782,445)
Proposed dividend - 2009	17 (a)	-	-	-	-	-	-	(1,980,494)	1,980,494	-
Transfer to statutory reserve	14	-	-	605,045	-	-	-	(605,045)	-	-
Balance at 31 December 2009		**10,000,000**	**(94,726)**	**3,867,696**	**3,215,079**	**27,602,997**	**1,668,691**	**15,100,600**	**1,980,494**	**63,340,831**
Balance at 1 January 2008		10,000,000	(94,726)	2,678,282	3,215,079	27,602,997	2,032,099	8,158,821	1,782,949	55,375,501
Comprehensive income for the year		-	-	-	-	-	(371,056)	5,843,685	-	5,472,629
Dividend paid - 2007	17 (a)	-	-	-	-	-	-	-	(1,782,949)	(1,782,949)
Proposed dividend - 2008	17 (a)	-	-	-	-	-	-	(1,782,445)	1,782,445	-
Transfer to statutory reserve	14	-	-	584,369	-	-	-	(584,369)	-	-
Balance at 31 December 2008		10,000,000	(94,726)	3,262,651	3,215,079	27,602,997	1,661,043	11,635,692	1,782,445	59,065,181

The attached notes 1 to 32 from part of these financial statements.

Notes to the Financial Statements
Year Ended 31 December 2009

1 ACTIVITIES

National Hotels Company B.S.C. (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 1665. The postal address of the Company's registered head office is at P O Box 5243, Manama, Kingdom of Bahrain. The Company owns the Diplomat Radisson BLU Hotel, which is managed by Rezidor Hotel Group ("Rezidor") under a 15 year management agreement dated 20 July 2000. 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.

The Company operates solely in the Kingdom of Bahrain.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 17 February 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the Bahrain Commercial Companies Law.

The financial statements have been presented in Bahraini Dinars which is the functional currency of the Company.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments, managed portfolios and the revaluation of land.

Changes in accounting policies and procedures

The accounting policies are consistent with those used in the previous year, except that the Company has adopted the following new and amended IFRS and IFRIC interpretations:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements effective 1 July 2009 (early adopted)
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 - Presentation of financial statements (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009 (early adopted)
- IFRIC 15 Agreement for the Construction of Real Estate 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective 1 October 2008
- Improvements to IFRSs

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two linked statements.

Notes to the Financial Statements

Year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements to IFRSs

In April 2009 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendment resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company. The principal effects of the changes are as follows:

IAS 18 Revenue

The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segment Information
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Reporting
- IAS 40 Investment Properties
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

Property, plant and equipment

Property, plant and equipment, except land, is recorded at cost less accumulated depreciation and any impairment in value. Land is carried at revalued amounts. Land and capital work-in-progress are not depreciated.

Revaluation of land is normally carried out every three years. Any net surplus arising on revaluation is credited to a revaluation reserve and any decrease resulting from subsequent revaluations is charged directly against any related revaluation surplus held in respect of that same asset and the remaining portion charged as an expense. On the subsequent sale or retirement of revalued land, the additional revaluation surplus is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	25 to 40 years
- Improvements to buildings	5 to 10 years
- Furniture, fixtures and equipment	5 to 7 years
- Plant and machinery	4 to 20 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Notes to the Financial Statements
Year Ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the assets) is included in the statement of income in the year the asset is derecognised.

Investment in an associate
The Company's investment in an associate is accounted for under the equity method of accounting. Associates are entities in which the Company exercises significant influence, normally having between 20% to 50% of the voting power.

The investment in the associate is carried in the statement of financial position at cost, plus post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in value. The statement of income reflects the Company's share of the results of its associate.

Financial assets
Financial assets within the scope of IAS 39 are classified as available-for-sale investments, held-for-trading, trade and other receivables.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair values" within equity is included in the statement of income for the year.

Held-for-trading
Investments are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. These are stated at market values at the statement of financial position date. Gains and losses on disposals and market value adjustments relating to held-for-trading investments are taken to the statement of income.

Trade and other receivables
Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Impairment and uncollectibility of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income.
b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Financial liabilities
Financial liabilities of the Company are recognised at amortised cost and include trade and other payables and borrowings.

Trade and other payables
Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Company.

Notes to the Financial Statements

Year ended 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and loans are recognised in the statement of income when the liabilities are derecognised as well as through the amortisation process.

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing cost of funds.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial assets

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Inventories

Inventories of food and beverage are stated at the lower of cost and net realisable value. Inventories of maintenance stores are stated at cost less provision for obsolescence. Costs are those expenses incurred in bringing inventories to their present location and condition and are determined on a first-in-first-out basis.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Company provides for end of service benefits to its expatriate employees in accordance with the Bahrain Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its Bahraini employees, the Company makes contributions to the General Organisation for Social Insurance Scheme (GOSI) calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
Treasury shares are stated at cost. Treasury shares do not carry the right to dividends.

Revenue recognition
Gross operating revenue represents the invoiced value of goods and services provided by the Company during the year, plus an accrual for revenue earned but not yet invoiced.

Interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruement or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividend income is recognised when the Company's right to receive the payment is established.

Foreign currencies
Transactions in foreign currencies are recorded at the functional currency rate of exchange prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Translation gains or losses on non-monetary available for sale investments carried at fair value are included in equity as part of the fair value adjustment on available-for-sale investments. Translation gains or losses on non-monetary trading investments carried at fair value are included in the statement of income as part of the net change in the value of managed portfolios.

3 KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Useful lives of property, plant and equipment
The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of available-for-sale equity investments
The Company's management reviews its investments for impairment. The assessment is carried out when there has been a significant or prolonged decline in the fair value of an investment below its cost or when objective evidence of impairment exists.

Classification of investments
Management decides upon acquisition of an investment whether it should be classified as held-for-trading investment or available-for-sale.

Valuation of investments
Management uses its best judgement in determining fair values of the unquoted investments by reference to recent, material arms> length transactions involving third parties. Nonetheless, the actual amount that will be realised in a future transaction may differ from the current estimate of fair value, given the inherent uncertainty surrounding valuations of unquoted investments. In determining any impairment for the unquoted investments carried at cost, assumptions have been made regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefit.

Impairment of trade and other receivables
An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Notes to the Financial Statements

Year ended 31 December 2009

3 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

At the statement of financial position date, gross trade accounts receivable were BD 896,195 (2008: BD 934,574) and the provision for doubtful receivables was BD 45,403 (2008: BD 41,072). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Valuation of land

The Company measures its freehold land at revalued amounts with changes in fair values being recognised in equity. Revaluation of land is normally carried out every three years. The Company engages an independent valuation specialists to determine the fair value of the land.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective and not early adopted up to the date of the issuance of Company,s financial statements are listed below:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009

It is not expected the implementation of these revisions and amendments will have any impact on the Company's financial performance or position.

Notes to the Financial Statements
Year Ended 31 December 2009

5 PROPERTY, PLANT AND EQUIPMENT

	Freehold land BD	Buildings BD	Improvements to buildings BD	Furniture, fixtures and equipment BD	Plant and machinery BD	Capital work-in-progress BD	Total BD
Cost/valuation:							
At 1 January 2009	28,170,304	27,249,327	2,278,030	4,063,459	4,331,829	4,166,729	70,259,678
Additions	-	30,545	7,800	7,525	241,144	5,221,081	5,508,095
Transfers	-	928,271	-	-	-	(928,271)	-
Write-offs	-	-	(1,621,438)	(2,256)	(25,977)	-	(1,649,671)
At 31 December 2009	28,170,304	28,208,143	664,392	4,068,728	4,546,996	8,459,539	74,118,102
Depreciation:							
At 1 January 2009	-	10,896,681	2,120,276	2,730,380	3,206,441	-	18,953,778
Charge for the year	-	684,884	98,765	295,524	213,943	-	1,293,116
Relating to write-offs	-	-	(1,621,436)	(2,028)	(24,164)	-	(1,647,628)
At 31 December 2009	-	11,581,565	597,605	3,023,876	3,396,220	-	18,599,266
Net carrying amounts:							
At 31 December 2009	**28,170,304**	**16,626,578**	**66,787**	**1,044,852**	**1,150,776**	**8,459,539**	**55,518,836**
Cost/valuation:							
At 1 January 2008	28,170,304	25,356,741	2,217,238	3,977,024	4,103,393	3,046,859	66,871,559
Additions	-	89,230	60,792	48,806	228,457	2,982,884	3,410,169
Transfers	-	1,803,356	-	55,363	4,295	(1,863,014)	-
Write-offs	-	-	-	(17,734)	(4,316)	-	(22,050)
At 31 December 2008	28,170,304	27,249,327	2,278,030	4,063,459	4,331,829	4,166,729	70,259,678
Depreciation:							
At 1 January 2008	-	10,213,868	1,931,098	2,372,974	2,973,793	-	17,491,733
Charge for the year	-	682,813	189,178	373,811	236,520	-	1,482,322
Relating to write-offs	-	-	-	(16,405)	(3,872)	-	(20,277)
At 31 December 2008	-	10,896,681	2,120,276	2,730,380	3,206,441	-	18,953,778
Net carrying amounts:							
At 31 December 2008	28,170,304	16,352,646	157,754	1,333,079	1,125,388	4,166,729	51,305,900

a) Freehold land was revalued on 31 December 2007 by three independent property valuers and the lowest estimate was considered by the directors, as this was believed to be the best indicator of the fair value.

b) The carrying amount of freehold land , if carried at cost, would be BD 567,307 (2008: BD 567,307).

Notes to the Financial Statements

Year ended 31 December 2009

6 INVESTMENT IN AN ASSOCIATE

The Company has a 33.35% (2008: 33.35%) 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. The entity is not listed on any public exchange.

The movements during the year are as follows:

	2009 BD	2008 BD
At 1 January	**2,578,703**	2,159,927
Share of profit during the year	**898,115**	1,089,546
Dividends received during the year	**(300,000)**	(465,000)
Share in associate's cumulative changes in fair values	**181,791**	(205,770)
At 31 December	**3,358,609**	2,578,703

The Company's share of associate's net assets, revenue and results are as follows:

	2009 BD	2008 BD
Share of associate's statement of financial position:		
Current assets	**1,066,200**	632,650
Non-current assets	**2,402,465**	2,420,291
Current liabilities	**(87,044)**	(456,562)
Non-current liabilities	**(23,012)**	(17,676)
Net assets / carrying amount of investment	**3,358,609**	2,578,703
Share of associate,s revenue and profit:		
Revenue	**3,132,232**	3,314,323
Profit	**898,115**	1,089,546

7 AVAILABLE-FOR-SALE INVESTMENTS

	2009 BD	2008 BD
a) Equity investments:		
Quoted investments	**2,121,260**	2,249,822
Unquoted investments (at cost) *	**503,070**	503,070
	2,624,330	2,752,892
b) Other investments :		
Quoted mutual funds	**-**	139,832
	-	139,832
	2,624,330	2,892,724
Classified as non-current asset	**2,624,330**	2,752,892
Classified as current asset	**-**	139,832

7 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Changes in fair values arising from available-for-sale investments are as follows:

	2009 BD	2008 BD
Net unrealized loss	**(128,561)**	(164,664)
Net realized gains recognized in the statement of income on disposal	**(45,582)**	(622)
	(174,143)	(165,286)

Net realized gain and fair value loss for the year on disposal of available-for-sale investments is as follows:

	2008 BD	2007 BD
Proceeds from disposal of available-for-sale investments	**127,538**	1,907
Less: cost of disposed available-for-sale investments	**(94,250)**	(1,285)
	33,288	622
Net realized gain on sale of available-for-sale investments		
Less: Fair value gain as at 1 January recognized during the year	**(45,582)**	(622)
Fair value loss for the year	**(12,294)**	-

* These investments are carried at cost, as fair values cannot be reliably determined due to the unpredictable nature of future cash flows.

8 INVENTORIES

	2009 BD	2008 BD
Food and beverages	**52,040**	65,318
General stores	**22,344**	58,673
	74,384	123,991

The amount of inventory recognized as expenditure in gross operating costs during the year amounted to BD 1,111,958 (2008: BD: 1,112,424).

9 HELD-FOR-TRADING INVESTMENTS

	2009 BD	2008 BD
Managed portfolios	**312,699**	807,670
Quoted equities	**28,631**	-
	341,330	807,670

As at 31 December, the break up of managed portfolios is as follows:

	2009 BD	2008 BD
Quoted equities	**308,750**	614,388
Cash with managers	**3,949**	193,282
	312,699	807,670

Quoted equities in managed portfolios represent quoted investments that are held with the intention to derive short term gains.

Notes to the Financial Statements

Year ended 31 December 2009

10 TRADE AND OTHER RECEIVABLES

	2009 BD	2008 BD
Trade receivables	**896,195**	934,574
Less: Provision for doubtful receivables	**(45,403)**	(41,072)
	850,792	893,502
Prepaid expenses	**94,205**	78,100
Amounts due from a related party (note 26)	**7,958**	7,725
Other receivables	**24,191**	19,776
	977,146	999,103

Trade receivables are non-interest bearing. Receivables relating to current guests are payable on departure. Receivables relating to other operations and corporate guests are generally on 30 day terms. For terms and conditions relating to related party receivables, refer to note 26.

As at 31 December 2009, trade receivables with a nominal value of BD 45,403 (2008: BD 41,072) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2009 BD	2008 BD
At 1 January	**41,072**	76,938
Charge for the year	**4,331**	-
Provision written back	**-**	(35,866)
At 31 December	**45,403**	41,072

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired			
	Total BD	Neither past due nor impaired BD	30 – 60 days BD	60 – 90 days BD	90 – 120 days BD	>120 days BD
2009	**850,792**	**443,588**	**275,518**	**49,843**	**34,700**	**47,143**
2008	893,502	476,758	259,517	68,115	2,061	87,051

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables except post dated cheques for a small number of receivable balances.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following statement of financial position amounts:

	2009 BD	2008 BD
Cash in hand	**17,100**	16,500
Cash at bank	**2,378,796**	1,152,071
Term deposits	**3,164,254**	3,061,753
	5,560,150	4,230,324

11 CASH AND CASH EQUIVALENTS (continued)

Term deposits are short term deposits, denominated in Bahraini Dinars and held with commercial banks in the Kingdom of Bahrain with an average effective interest rate of 5.8% (2008: 5.3%). These term deposits have a maturity of one month.

The Company has an overdraft facility amounting to BD 16,000,000 (2008: BD 16,000,000) from a commercial bank in the Kingdom of Bahrain. As of the statement of financial position date, the Company has availed a portion of the overdraft facility from the bank. Refer to note 19 for details of the overdraft facility. The overdraft balance is not treated as a cash and cash equivalent as the company will not repay the balance until it is converted to a term loan.

12 SHARE CAPITAL

The authorised, issued and paid-up share capital consists of 100,000,000 shares of BD 0.100 each (2008: 100,000,000 shares of BD 0.100 each).

13 TREASURY SHARES

Treasury shares represent the purchase by the Company of its own shares. As at 31 December 2009, the Company had purchased 975,290 shares (2008: 975,290 shares).

14 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

15 GENERAL RESERVE

The general reserve represents funds set aside for the purpose of future capital expenditure and to enhance the strong capital base of the Company. There are no restrictions over the distribution of this reserve.

16 REVALUATION RESERVE

The freehold land was revalued by a professional valuer as of 31 December 2007. The surplus arising on the revaluation has been credited to this reserve.

17 DIVIDENDS

a) Dividends proposed and paid

During 2009, dividends of 18 fils per share, relating to 2008 totaling BD 1,782,445 were declared and paid (2008: 18 fils per share relating to 2007 totaling BD 1,782,949).

The Board of Directors has proposed a final cash dividend of 20 fils per share totaling BD 1,980,494 (2008: 18 fils per share totaling BD 1,782,445), which is subject to the approval of the shareholders at the Annual General Meeting.

b) Dividend per share

Dividend per share is calculated by dividing the proposed dividend for the year by the number of eligible shares at the year-end, as follows:

	2009 BD	2008 BD
Dividend for the year in BD	**1,980,494**	1,782,445
Number of eligible shares at the year-end	**99,024,710**	99,024,710
Dividend per share–fils	**20**	18

Notes to the Financial Statements

Year ended 31 December 2009

18 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the liability recognised in the statement of financial position in respect of non-Bahraini employees are as follows:

	2009 **BD**	2008 BD
Provision as at 1 January	**220,542**	198,950
Provided during the year	**58,803**	74,536
End of service benefits paid	**(46,134)**	(52,944)
Provision as at 31 December	**233,211**	220,542

19 BORROWINGS

	2009 **BD**	2008 BD
From a commercial bank	**1,569,155**	336,188

The Company has entered into an overdraft facility amounting to BD 16,000,000 (2008: BD 16,000,000) with a commercial bank in the Kingdom of Bahrain for the construction of a commercial property. During the construction phase of the commercial property the facility will be treated as an overdraft and interest will be accrued monthly at rate of BIBOR plus 2.25% (2008: BIBOR plus 2%). Post completion of the construction, the outstanding balance of the overdraft facility drawn will be converted into a term loan. The term loan carries interest at the same rate as the overdraft facility and is repayable in quarterly installments over a period of six years. The effective interest at 31 December 2009 was 4.5% (2008: 3.75%). The facility is secured by a mortgage over the freehold land and the hotel building and is restricted for the use of expenditure related to the construction of the commercial property. During the year, interest in the amount of BD 64,989 (2008: BD 7,907) was capitalised in property, plant and equipment. At 31 December 2009, the undrawn facility amount was BD 14,430,845 (2008: BD 15,663,812).

20 TRADE AND OTHER PAYABLES

	2009 **BD**	2008 BD
Retentions payable	**938,655**	677,434
Accrued expenses	**926,247**	1,063,149
Other payables (a)	**544,148**	298,778
Advances from customers	**337,189**	337,740
Trade payables (a)	**295,783**	628,665
Amounts due to related parties (note 26)	**236,594**	248,952
Deferred income	**32,972**	61,786
	3,311,588	3,316,504

Note:

a) Trade payables are non-interest bearing and are normally settled within 45 days of receipt of the goods or service. Other payables primarily relate to capital expenditure.

21 GROSS OPERATING REVENUE

	2009 **BD**	2008 BD
Rooms	**5,205,126**	6,328,293
Food and beverages	**3,764,886**	3,866,036
Serviced apartments	**2,479,130**	2,656,585
Other departments	**679,484**	731,656
	12,128,626	13,582,570

22 GROSS OPERATING COSTS

	2009 BD	2008 BD
Food and beverages	**2,789,606**	3,169,936
Room related expenses	**1,760,024**	1,983,908
Serviced apartments related expenses	**838,583**	865,770
Other operating departments	**415,291**	461,151
	5,803,504	6,480,765

The break up of gross operating costs on the basis of nature of expenses is as follows:

	2009 BD	2008 BD
Payroll and related expenses	**2,490,144**	2,847,028
Consumption of inventories	**1,111,958**	1,112,424
Management fees (note 26)	**492,046**	547,045
Repairs and maintenance	**409,966**	477,481
Utilities, insurance and taxes	**296,876**	333,770
Other	**1,002,514**	1,163,017
	5,803,504	6,480,765

23 MISCELLANEOUS INCOME

	2009 BD	2008 BD
Rental income	**240,000**	240,000
Rezidor sponsorship fee (note 26)	**15,914**	15,450
Other	**23,752**	33,069
	279,666	288,519

24 PROFIT FOR THE YEAR

The profit for the year is stated after charging staff costs as follows:

	2009 BD	2008 BD
Salaries and wages	**1,454,323**	1,609,110
Employees' end of service benefits (note 18)	**58,803**	74,536
Contributions to the General Organisation for Social Insurance Scheme:		
- Bahrainis	**80,385**	82,184
- Non-Bahrainis	**33,935**	31,973
Other staff expenses and benefits	**1,081,355**	1,259,182
	2,708,801	3,056,985

The staff costs has been allocated in the statement of income as follows:

	2009	2008
Gross operating costs	**2,490,144**	2,847,028
General and administration expenses	**218,657**	209,957
	2,708,801	3,056,985

25 BASIC AND DILUTED EARNINGS PER SHARE

	2009	2008
Profit for the year - BD	**6,050,447**	5,843,685
Average shares in issue (net of treasury shares)	**99,024,710**	99,024,710
Earnings per share - fils	**61**	59

No figure for diluted earnings per share has been presented as the Company has issued no instruments that would have a dilutive effect.

Notes to the Financial Statements

Year ended 31 December 2009

26 RELATED PARTY TRANSACTIONS

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the statement of income are as follows:

	2009				2008			
	Purchases BD	**Fees for management services BD**	**Other expenses BD**	**Revenue and other income BD**	Purchases BD	Fees for management services BD	Other Expenses BD	Revenue and other income BD
Associated company	**165,753**	**-**	**-**	**-**	123,757	-	-	-
Rezidor	**-**	**492,046**	**15,532**	**15,914**	-	547,045	37,920	15,450
Directors*	**-**	**-**	**-**	**14,112**	-	-	-	20,528
	165,753	**492,046**	**15,532**	**30,026**	123,757	547,045	37,920	35,978

*One director of the Company holds 176,764 (2008 :176,764) shares in the Company as at 31 December 2009.

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

	2009		2008	
	Receivables BD	**Payables BD**	Receivables BD	Payables BD
Associated company	**-**	**26,233**	-	14,854
Rezidor SAS	**7,958**	**210,361**	7,725	234,098
	7,958	**236,594**	7,725	248,952

Terms and conditions of transactions with related parties

Outstanding balances at the year end arise in the normal course of business and are unsecured, interest free and settlement occurs in cash, and are usually settled within 30 days. There have been no guarantees provided for any related party payables.

The directors' remuneration during the year ended 31 December 2009 amounted to BD 144,000 (2008: BD 124,000).

Compensation of key management personnel

The remuneration of key management personnel, other than directors, during the year was as follows:

	2009 BD	2008 BD
Short-term benefits	**131,148**	131,517
Employee's end of service benefits	**7,548**	13,949
	138,696	145,466

27 COMMITMENTS

The directors have authorised future capital expenditure amounting to BD 17,634,109 (2008: BD 21,754,796) as of the statement of financial position date.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company manages risk through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to interest rate risk, credit risk, liquidity risk, market risk and reputational risk.

Board of directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Executive committee

The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company.

Investment committee

The investment committee is mainly responsible for market and liquidity risks pertaining to the Company's investment activity by optimising liquidity and maximising returns from the funds available to the Company.

Interest rate risk

The Company has term deposits with a commercial bank in the Kingdom of Bahrain at 31 December 2009. The amount of deposits and the effective interest rate at 31 December 2009 are disclosed in note 11. Similarly the Company has availed an overdraft facility for the purpose of construction of the commercial property. The effective interest rate on the facility at 31 December 2009 is disclosed in note 19. Interest paid on the facility drawn is capitalised as part of the cost of the commercial property. A 0.25% change in interest rates on term deposits will change the Company's profit by BD 7,911 (2008: BD 7,654). A 1% change in the interest rates on the outstanding borrowings will increase the cost of the commercial property by BD 15,692 (2008: BD 3,362).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its term deposits, managed portfolio and trade and other receivables. The Company places its deposits and funds with banks and investment managers having good credit ratings. With regard to trade and other receivables, the Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables on an on-going basis and only provides advances and prepayments to reputable suppliers.

The Company provides its services to a large number of customers. Its five largest customers account for 43% of outstanding trade receivables at 31 December 2009 (2008: 25%).

Credit risk is limited to the carrying value of financial assets as shown in the statement of financial position.

Liquidity risk

Liquidity risk (also referred to as funding risk), is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Company limits its liquidity risk by ensuring bank facilities are available and monitoring cash flows on an on-going basis. The Company's terms of billing require amounts to be paid within 30 days of billing. Trade payables are normally settled within 45 days of the date of invoice. The Company's cash flows from operations are normally adequate to meet expected liquidity requirements.

The table below summarises the maturities of the Company's financial liabilities at 31 December 2009, based on contractual payment dates.

	Less than 3 months BD	**3 to 12 months BD**	**1 to 5 years BD**	**> 5 years BD**	**Total BD**
31 December 2009					
Trade and other payables	**2,086,536**	**854,891**	**-**	**-**	**2,941,427**
Borrowings	**-**	**74,970**	**1,199,513**	**524,787**	**1,799,270**
Total	**2,086,536**	**929,861**	**1,199,513**	**524,787**	**4,740,697**

	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	> 5 years BD	Total BD
31 December 2008					
Trade and other payables	2,323,308	593,670	-	-	2,916,978
Borrowings	-	-	69,214	381,559	450,773
Total	2,323,308	593,670	69,214	381,559	3,367,751

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Year ended 31 December 2009

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's transactions are mainly in Bahraini Dinars and United Stated Dollars. The Company is not exposed to significant currency risk as the Bahraini Dinar is pegged to the United States Dollar.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

The Company controls market risk by diversifying its investments.
The Company makes investments on its own account and through portfolio managers.

All of the Company's quoted investments, including managed portfolio investments, are traded in GCC markets. One of the Company's own managed investments accounts for 72% of the total investments as of 31 December 2008 (2008: 50%). No other investments, including investments in the managed portfolio, accounts for more than 10% of the total investments.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price 2009 BD	**Effect on equity 2009 BD**	**Effect on profit 2009 BD**	Change in equity price 2008 BD	Effect on equity 2008 BD	Effect on profit 2008 BD
Available for sale						
Quoted	**+20%**	**424,252**	**-**	+20%	477,931	-
Managed portfolio						
Quoted	**+20%**	**-**	**61,750**	+20%	-	122,878
Held for -trading coveted	**+20%**	**-**	**5,726**	+20%	-	-

The Company also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the statement of income will be impacted.

Reputational risk

The Company manages reputational risk through regular monitoring of operations, ensuring that customers' feedback on the products and services offered is regularly received and acted upon, mystery guest processes and other forms of customer satisfaction surveys.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.
There were no financial instruments which were fair valued under level 2 and level 3 fair value hierarchy.
As at 31 December 2009, the Company held the following financial instruments measured at fair value:

	Total BD	***Level 1 BD***
Financial assets measured at fair value		
Available-for-sale investments	**2,121,260**	**2,121,260**
Held-for-trading investments	**337,381**	**337,381**
Total	**2,458,641**	**2,458,641**

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value hierarchy (continued)

As at 31 December 2008, the Company held the following financial instruments measured at fair value:

	Total *BD*	*Level 1* *BD*
Financial assets measured at fair value		
Available-for-sale investments	2,249,822	2,249,822
Held-for-trading investments	614,388	614,388
Total	2,864,210	2,864,210

During the reporting periods ended 31 December 2009 and 31 December 2008, there were no transfers among the levels of fair value hierarchy.

Capital management

The primary objective of the Company's capital management strategy is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value and run its operations with funds generated from operations and maintain a low level of borrowings.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders.

No changes were made in the objectives, policies or processes during the year ended 31 December 2009.

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprises of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, deposits, trade and other receivables and investments. Financial liabilities consist of trade and other payables, overdrafts and borrowings.

The fair values of the financial assets and liabilities, with the exception of certain investments which are carried at cost (note 7), are not materially different from their carrying values at the statement of financial position date.

30 SEGMENT INFORMATION

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

Hotel business and corporate	-	Room rental, food and beverage sales, conference and events, and head office expenses.
Investments	-	Income from investments including associate and term deposits.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, available for sale investments, managed portfolios 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.

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Year ended 31 December 2009

30 SEGMENT INFORMATION (continued)

Segment liabilities include all operating liabilities and consist primarily of accounts payable, accrued liabilities and borrowings.

	Hotel business and corporate		Investments		Total	
	2009 BD	2008 BD	**2009 BD**	2008 BD	**2009 BD**	2008 BD
Gross operating revenue	12,128,626	13,582,570	-	-	12,128,626	13,582,570
Gross operating costs	(5,803,504)	(6,480,765)	-	-	(5,803,504)	(6,480,765)
Gross operating profit	6,325,122	7,101,805	-	-	6,325,122	7,101,805
Investment income (net)	-	-	1,327,063	476,708	1,327,063	476,708
Other income	279,666	288,519	-	-	279,666	288,519
Expenses	(1,880,199)	(2,017,117)	(1,205)	(6,230)	(1,881,404)	(2,023,347)
Net profit for the year	4,724,589	5,373,207	1,325,858	470,478	6,050,447	5,843,685
Total assets	56,570,366	52,428,994	11,884,419	10,509,421	68,454,785	62,938,415
Total liabilities	5,113,954	3,873,234	-	-	5,113,954	3,873,234
Capital expenditure	5,508,095	3,410,169	-	-	5,508,095	3,410,169
Depreciation	1,293,116	1,482,322	-	-	1,293,116	1,482,322

All of the sales and profit from the hotel business are earned in the Kingdom of Bahrain and investment income is earned from GCC countries including the Kingdom of Bahrain.

31 SHAREHOLDERS' INFORMATION

a) The names and nationalities of the major shareholders, holding more than 5% of issued share capital of the Company and the number of shares held by them are as follows:

Names	Nationality	No. of shares
Pension Fund Commission	Bahrain	32,149,639
Kuwait Investment Company	Kuwait	20,943,587
Kuwait Investment Authority	Kuwait	32,840,970

b) Distribution of share capital is as follows:

Category	No. of shares	No. of shareholder(s)	Percentage of total outstanding
Less than 1%	6,588,319	4,203	7
1% up to less than 5%	6,502,195	4	6
5% up to less than 10%	-	-	-
10% up to less than 20 %	-	-	-
20% up to less than 50%	85,934,196	3	86
	99,024,710	4,210	99
Treasury shares	975,290	-	1
	100,000,000	4,210	100

32 COMPARATIVE FIGURES

Certain figures of prior years have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect the previously reported profits or equity.