شركة الفنادق الوطنية (ش.ب.م)

NATIONAL HOTELS COMPANY (B.S.C)

Annual Report 2011

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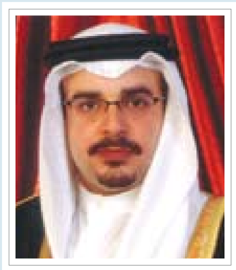
His Royal Highness
Prince Khalifa bin Salman Al Khalifa
The Prime Minister

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
Chief Executive Officer

Board of Directors' Report - 2011

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 2011.

The year 2011 has indeed been different in all respects compared to previous years. In fact, never has Bahrain witnessed since its inception as a State, what it witnessed during this year – politically, economically and socially. All of this has had severe and adverse effects on all economic activities, particularly the tourism and hotel sectors. At the height of the crisis, the Five Star Hotels' occupancy has dropped to percentages which were unexpected and unprecedented at 5% and 10%. This obviously has dictated that serious and stringent cost-cutting decisions had to be made. On top of this came staff reduction which in certain cases exceeded 50%. Measures like these have salvaged the overall result for the year which can be summarized as follows:-

- Occupancy percentage reduced to 38% from 68% compared to last year.
- Compared to last year, total revenue reduced by 48%.
- Total Operational Expenses reduced by 31%.
- Net Profit for the year reduced to 65%.
- Earnings per share reduced to 25 Fils compared to 71 Fils last year.

Dear Shareholders,

We are pleased to report that more than 98% of our Commercial Office Towers and Car Park project has been accomplished at the end of this year and the Contractors are in the process of finishing the balance thus making the Building ready for handing over. On the other hand, we have started talking to potential tenants who have expressed their interest in some space rental.

We are also pleased to report the successful completion of converting the Al Fanar Restaurant into Banquet/Conference Facility Project on time. On the other hand, both the Hotel's main entrance canopies have been completely refurbished and the final look has created the desired synergy amongst the three Buildings on the premises.

Addition to the staff accommodation at Al Wataniya Gardens has been successfully completed as a whole.

Dear Shareholders,

During the year, the Company has adhered to a good number of the Corporate Governance principles and we are in the process of finishing the balance in order to be fully compliant with all the principles during the year 2012. Your Board has prepared a detailed report on the progress for the AGM.

Dear Shareholders,

Your Board, having discussed and approved the final audited figures for the year 2011, submit the following recommendations for endorsement by the Ordinary General Assembly with regard to the year 2011 profit:

1) to allocate 10% of the profit i.e. BD244,970/- to Statutory Reserve Account.
2) to declare and pay cash dividend to the Shareholders @ 10% of Share Capital i.e. BD990,247/-, 10 fils per share.
3) to approve BD144,000/- for Directors' remuneration already charged as an expense in the Income Statement.
4) to approve BD50,000/- 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 BD1,214,480/- to the Retained Earnings Account.

Your Board of Directors would like to extend its thanks and gratitude to Mr. Yousef Dekheel Al Dekheel - Vice Chairman & Managing Director, and Mr. Nabil Khalaf Al Saeed – Director, for their valuable input during their tenure on the Board. The Board of Directors would also like to take this opportunity to welcome their successors to the Board as representatives of Kuwait Investment Authority.

Finally, we would like to express our thanks and appreciation to His Majesty King 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 Deputy Supreme Commander of Bahrain Defence Force, Prince Salman bin Hamad Al Khalifa for their support and assistance to the Company. We 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 Chief Executive Officer, 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
Chairman

Manama
19.2.2012

Independent Auditors' Report to the Shareholders

Report on the financial statements

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 2011, 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 information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 in 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 the Board of Directors, 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 2011, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and

b) the financial information contained in the report of Board of Directors is consistent with the financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2011 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Ernst & Young

19th February 2012
Manama, Kingdom of Bahrain

Statement of Financial Position

Year Ended 31 December 2011

	Note	**2011**	2010
		BD	BD
ASSETS			
Non-current assets			
Property, plant and equipment	7	**73,977,455**	68,693,419
Investment in an associate	8	**4,665,596**	4,093,340
Available-for-sale investments	9	**1,900,517**	2,138,425
Total non-current assets		**80,543,568**	74,925,184
Current assets			
Inventories	10	**46,226**	53,768
Held-for-trading investments	11	**394,444**	426,434
Trade and other receivables	12	**508,523**	763,602
Bank balances and cash	13	**3,825,464**	3,846,617
Total current assets		**4,774,657**	5,090,421
TOTAL ASSETS		**85,318,225**	80,015,605
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**10,000,000**	10,000,000
Treasury shares	15	**(94,726)**	(94,726)
Statutory reserve	16	**4,819,216**	4,574,246
General reserve	17	**3,215,079**	3,215,079
Revaluation reserve	18	**27,382,813**	27,382,813
Available-for-sale investments reserve		**1,242,479**	1,319,899
Retained earnings		**20,693,540**	19,479,060
Proposed dividend	19	**990,247**	1,980,494
Total equity		**68,248,648**	67,856,865
Non-current liabilities			
Employees' end of service benefits	20	**172,018**	251,635
Borrowings	21	**12,416,623**	5,917,884
Total non-current liabilities		**12,588,641**	6,169,519
Current liabilities			
Trade and other payables	22	**4,480,936**	5,989,221
Total current liabilities		**4,480,936**	5,989,221
Total liabilities		**17,069,577**	12,158,740
TOTAL EQUITY AND LIABILITIES		**85,318,225**	80,015,605

Faisal Ahmed Al Zayani
Chairman

Yousef Dekheel Al Dekheel
Vice Chairman and Managing Director

The attached notes 1 to 35 form part of these financial statements.

Statement of Income
Year ended 31 December 2011

	Note	**2011** BD	2010 BD
Gross operating revenue	23	**5,967,308**	11,933,567
Gross operating costs	24	**(3,443,347)**	(5,614,096)
GROSS OPERATING PROFIT		**2,523,961**	6,319,471
Net investment income:			
Share of profit from an associate	8	**984,038**	1,198,845
Dividend income		**156,431**	202,616
Interest on term deposits		**127,427**	123,096
Net realised gain on sale of available-for-sale investments	9	**87,613**	577,530
Net changes in cumulative fair value of held-for-trading investments		**(31,990)**	85,104
		1,323,519	2,187,191
Miscellaneous income	25	**275,936**	309,100
Depreciation	7	**(1,140,882)**	(1,160,012)
General and administration expenses		**(532,837)**	(590,246)
PROFIT FOR THE YEAR	26	**2,449,697**	7,065,504
Basic and diluted earnings per share (in fils)	27	**25**	71
Dividend per share (in fils)	19 (b)	**10**	20

The attached notes 1 to 35 form part of these financial statements.

Statement of Comprehensive Income

Year ended 31 December 2011

	Note	**2011 BD**	2010 BD
Profit for the year		**2,449,697**	7,065,504
Other comprehensive income			
Net movement in fair values of available for sale investments during the year	9	**(45,638)**	74,092
Realised gains transferred to statement of income on disposal of available-for-sale investments	9	-	(438,770)
Share in associate's cumulative changes in fair values	8	**(31,782)**	15,886
Revaluation of freehold land	7	-	(220,184)
Other comprehensive loss for the year		**(77,420)**	(568,976)
Total comprehensive income for the year		**2,372,277**	6,496,528

The attached notes 1 to 35 form part of these financial statements.

Statement of Cash Flow
Year ended 31 December 2011

	Notes	2011 BD	2010 BD
OPERATING ACTIVITIES			
Profit for the year		**2,449,697**	7,065,504
Adjustments for:			
Depreciation	7	**1,140,882**	1,160,012
Share of profit from an associate	8	**(984,038)**	(1,198,845)
Write back of provision for doubtful receivables	12	**(4,801)**	(28,757)
Provision for employees' end of service benefits	20	**35,643**	69,204
Write-off of property, plant and equipment		**14,584**	2,216
Profit on disposal of available-for-sale investments	9	**(87,613)**	(577,530)
Net change in the fair value of held-for-trading investments		**31,990**	(85,104)
Dividend income		**(156,431)**	(202,616)
Interest on term deposits		**(127,427)**	(123,096)
Operating profit before working capital changes		**2,312,486**	6,080,988
Working capital changes:			
Inventories		**7,542**	20,616
Trade and other receivables		**259,880**	242,301
Trade and other payables		**(138,709)**	202,581
Cash from operations		**2,441,199**	6,546,486
Directors' remuneration paid		**(144,000)**	(137,333)
Employees' end of service benefits paid	20	**(115,260)**	(50,780)
Charitable contributions paid	22	**(78,000)**	(78,200)
Net cash flows from operating activities		**2,103,939**	6,280,173
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(7,600,073)**	(11,886,317)
Dividend received from an associate	8	**380,000**	480,000
Other dividends received		**156,431**	202,616
Interest received		**127,427**	123,096
Proceeds from disposal of available-for-sale investments	9	**279,883**	698,760
Term deposits with maturity greater than 3 months (net)		**(120,826)**	(3,284,570)
Net cash flows used in investing activities		**(6,777,158)**	(13,666,415)
FINANCING ACTIVITIES			
Dividends paid	19 (a)	**(1,980,494)**	(1,980,494)
Proceeds from borrowings		**9,125,110**	12,209,930
Repayment of borrowings		**(2,626,371)**	(7,861,201)
Net cash flows from financing activities		**4,518,245**	2,368,235
DECREASE IN CASH AND CASH EQUIVALENTS		**(154,974)**	(5,018,007)
Cash and cash equivalents at 1 January		**364,168**	5,382,175
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**209,194**	364,168

Non-cash items:

(i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 2,810,697 (2010: BD 3,971,268) were not settled as of the date of statement of financial position.

(ii)Unclaimed dividends pertaining to prior years amounting to BD 210,874 (2010: BD 197,879) has been excluded from the movement of trade and other payables.

The attached notes 1 to 35 form part of these financial statements.

Statement of Changes in Equity
Year ended 31 December 2011

	Notes	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Available for-sale reserve BD	Retained earnings BD	Proposed dividend BD	Total BD
Balance at 1 January 2011		10,000,000	(94,726)	4,574,246	3,215,079	27,382,813	1,319,899	19,479,060	1,980,494	67,856,865
Profit for the year		-	-	-	-	-	-	2,449,697	-	2,449,697
Other comprehensive loss		-	-	-	-	-	(77,420)	-	-	(77,420)
Total comprehensive (loss) income		-	-	-	-	-	(77,420)	2,449,697	-	2,372,277
Dividend paid - 2010	19(a)	-	-	-	-	-	-	-	(1,980,494)	(1,980,494)
Proposed dividend - 2011	19(a)	-	-	-	-	-	-	(990,247)	990,247	-
Transfer to statutory reserve	16	-	-	244,970	-	-	-	(244,970)	-	-
Balance at 31 December 2011		**10,000,000**	**(94,726)**	**4,819,216**	**3,215,079**	**27,382,813**	**1,242,479**	**20,693,540**	**990,247**	**68,248,648**
Balance at 1 January 2010		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
Profit for the year		-	-	-	-	-	-	7,065,504	-	7,065,504
Other comprehensive loss		-	-	-	-	(220,184)	(348,792)	-	-	(568,976)
Total comprehensive (loss) income		-	-	-	-	(220,184)	(348,792)	7,065,504	-	6,496,528
Dividend paid - 2009	19(a)	-	-	-	-	-	-	-	(1,980,494)	(1,980,494)
Proposed dividend - 2010	19(a)	-	-	-	-	-	-	(1,980,494)	1,980,494	-
Transfer to statutory reserve	16	-	-	706,550	-	-	-	(706,550)	-	-
Balance at 31 December 2010		10,000,000	(94,726)	4,574,246	3,215,079	27,382,813	1,319,899	19,479,060	1,980,494	67,856,865

The attached notes 1 to 35 form part of these financial statements.

Notes to the Financial Statements
Year ended 31 December 2011

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 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 19th February 2012.

2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International

Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and rules and procedures of the Bahrain Bourse.

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

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

3 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

IAS 24 Related Party Disclosures (amendment)
The IASB has issued an amendment to IAS 24 that clarifies the identification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasise a symmetrical view on related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation (amendment)
The amendment alters the definition of a financial liability in IAS 31 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given prorata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company as the Company has not issued these type of instruments.

IFRS 7 Financial Instruments: Disclosures (amendment)
These amendments introduced new disclosure requirements for transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement

The amendment has had no effect on the disclosures made by the Company as the Company has not issued these types of instruments.

Improvements to IFRSs
In May 2010 the IASB issued its third omnibus 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 amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation must be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. In addition other amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the statement of changes in equity or in the notes to the financial statements;

Notes to the Financial Statements
Year ended 31 December 2011

3 CHANGES IN ACCOUNTING POLICIES (continued)

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 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008);
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment award);
- IAS 27 Consolidated and Separate Financial Statements;
- IAS 34 Interim Financial Statements; and
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The Company assesses its impairment calculation after reviewing detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of one year. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the first year.

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 its associate is accounted for using the equity method. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor tested for impairment.

The statement of income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.
The share of profit of an associate is shown on the face of the statement of income. This is the profit attributable to equity holders of the associate and therefore is profit for the year after non-controlling interest in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of income.

Notes to the Financial Statements
Year ended 31 December 2011

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

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.

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances and cash, term deposits, trade and other receivables, available-for-sale investments and held-for-trading investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with gains or losses recognised in the statement of income.

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Bad debts are written off when identified.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables or held-to-maturity investments. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of income.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the statement of income in finance costs and removed from the available-for-sale investments reserve.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Notes to the Financial Statements
Year ended 31 December 2011

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)
For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

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 restricted cash.

Impairment and uncollectibility of financial assets
The Company assesses at each date of statement of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An assessment is made at each date of statement of financial position 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;
c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.
The Company's financial liabilities comprise of 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.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

Borrowing costs 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.

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.

Notes to the Financial Statements
Year ended 31 December 2011

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

The Company makes contributions to the Social Insurance Organisation scheme for its national employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Treasury shares

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable taking into account any contractually defined terms of payment, and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related levies.

Revenue from the rendering of services is recognised when services are performed, provided that the amount can be measured reliably. Revenue from the sale of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

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 instrument 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 held-for-trading investments.

Notes to the Financial Statements
Year ended 31 December 2011

5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

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.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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.

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.

At the statement of financial position date, gross trade accounts receivable were BD 400,752 (2010: BD 659,018) and the provision for doubtful receivables was BD 11,845 (2010: BD 16,646). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the statement of financial position, gross food and beverage inventories were BD 31,393 (2010: BD 41,791) and general stores BD 14,833 (2010: BD 11,977), and there was no allowance for old and obsolete inventories (2010: nil). Any difference between the amounts actually realised 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 specialist to determine the fair value of the land.

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.

6 INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective:

IAS 1 Presentation of Financial Statements
The amendments becomes effective for annual periods beginning on or after 1 July 2012 and require that an entity present separately, the items of other comprehensive income that would be reclassified (or recycled) to profit or loss in the future if certain conditions are met (for example, upon derecognition or settlement), from those that would never be reclassified to profit or loss. The amendment affects presentation only, therefore, will have no impact on the Company's financial position or performance.

Notes to the Financial Statements
Year ended 31 December 2011

6 INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (continued)

IAS 19 Employee Benefits
The IASB has issued numerous amendments to IAS 19, which are effective for annual periods beginning on or after 1 January 2013. These include the elimination of the corridor approach and recognising all actuarial gains and losses in Other Comprehensive Income as they occur; immediate recognition of all past service costs; and replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset); and certain clarifications and re-wording. The Company is currently assessing the full impact of these amendments.

IFRS 9 *Financial Instruments*
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch.
It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The standard is currently effective for annual periods beginning on or after 1 January 2013. IASB issued an exposure draft (ED) Mandatory effective date of IFRS9 - that proposes moving the mandatory effective date to periods beginning on or after 1 January 2015 with early application continuing to be permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

The Company will quantify the effect of adoption of this Standard, in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.
An investor controls an investee when:
- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is re-assessed as facts and circumstances change.

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company is currently assessing the full impact of this new standard.

IFRS 11 *Joint Arrangements*
IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements.

IFRS 11 classifies joint arrangements into two types – joint operations and joint ventures; and defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company is currently assessing the full impact of this new standard.

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued amended and retitled IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

IFRS 12 aims to provide information to enable users to evaluate:
- the nature of, and risks associated with, an entity's interests in other entities; and
- the effect of those interests on the entity's financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement*
IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

Notes to the Financial Statements
Year ended 31 December 2011

6 INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (continued)

IFRS 13 Fair Value Measurement (continued)

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company is currently assessing the full impact of this new standard.

IAS 27 Consolidated and Separate Financial Statements (as revised in 2011)

IAS 27 (2011) supersedes IAS 27 (2008). As a consequence of the new IFRS 10 and IFRS 12 aforementioned, IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 27 (2011) is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company is currently assessing the full impact of this revised standard. It only produces separate financial statements.

IAS 28 Investments in Associates (as revised in 2011)

IAS 28 (2011) supersedes IAS 28 (2008).IAS28 (2011). As a consequence of the new IFRS 11 and IFRS 12 (refer above), IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 28 (2011) is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company is currently assessing the full impact of this revised standard.

7 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 2011	27,950,120	28,232,824	636,824	4,065,764	4,642,408	22,762,590	88,290,530
Additions	-	-	14,891	3,831	45,222	6,362,476	6,426,420
Transfer		922,372	27,650	39,978	183,646	(1,173,646)	-
Write-offs	-	-	-	(11,906)	(2,678)	-	(14,584)
At 31 December 2011	27,950,120	29,155,196	679,365	4,097,667	4,868,598	27,951,420	94,702,366
Depreciation:							
At 1 January 2011	-	12,290,624	579,130	3,206,907	3,520,450	-	19,597,111
Charge for the year	-	710,990	23,088	178,605	228,199	-	1,140,882
Relating to write-offs	-	-	-	(10,727)	(2,355)	-	(13,082)
At 31 December 2011	-	13,001,614	602,218	3,374,785	3,746,294	-	20,724,911
Net carrying amounts:							
At 31 December 2011	**27,950,120**	**16,153,582**	**77,147**	**722,882**	**1,122,304**	**27,951,420**	**73,977,455**

	Freehold land BD	Buildings BD	Improvements to buildings BD	fixtures and equipment BD	Plant and machinery BD	Capital work-in-progress BD	Total BD
Cost/valuation:							
At 1 January 2010	28,170,304	28,208,143	664,392	4,068,728	4,546,996	8,459,539	74,118,102
Additions	-	24,681	20,156	-	209,107	14,303,051	14,556,995
Revaluation	(220,184)	-	-	-	-	-	(220,184)
Write-offs	-	-	(47,724)	(2,964)	(113,695)	-	(164,383)
At 31 December 2010	27,950,120	28,232,824	636,824	4,065,764	4,642,408	22,762,590	88,290,530
Depreciation:							
At 1 January 2010	-	11,581,565	597,605	3,023,876	3,396,220	-	18,599,266
Charge for the year	-	709,059	29,249	185,796	235,908	-	1,160,012
Relating to write-offs	-	-	(47,724)	(2,765)	(111,678)	-	(162,167)
At 31 December 2010	-	12,290,624	579,130	3,206,907	3,520,450	-	19,597,111
Net carrying amounts:							
At 31 December 2010	27,950,120	15,942,200	57,694	858,857	1,121,958	22,762,590	68,693,419

a) Freehold land was revalued on 31 December 2010 by two independent property valuers. The lowest revaluation estimate was considered by the directors, as this was believed to be the best indicator of the fair value. As per the revaluation, the value of freehold land reduced from BD 28,170,304 as of 31 December 2009 to BD 27,950,120 as of 31 December 2010 and hence a revaluation deficit of BD 220,184 has been charged to the revaluation reserve. The previous revaluation was conducted for the year ended 31 December 2007. The directors believe there has been no material change in value of the freehold land during the year ended 31 December 2011.

b) The carrying amount of freehold land, if carried at cost, would be BD 567,307 (2010: BD 567,307).

Notes to the Financial Statements
Year ended 31 December 2011

8 INVESTMENT IN AN ASSOCIATE

The Company has a 33.35%.% (2010: 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:	**2011 BD**	2010 BD
At 1 January	**4,093,340**	3,358,609
Share of profit during the year	**984,038**	1,198,845
Dividends received during the year	**(380,000)**	(480,000)
Share in associate's cumulative changes in fair values	**(31,782)**	15,886
At 31 December	**4,665,596**	4,093,340

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

	2011 BD	2010 BD
Share of associate's statement of financial position:		
Current assets	**1,387,638**	1,335,706
Non-current assets	**3,697,119**	3,116,913
Current liabilities	**(385,371)**	(331,730)
Non-current liabilities	**(33,790)**	(27,549)
Net assets / carrying amount of investment	**4,665,596**	4,093,340
Share of associate's revenue and profit:		
Revenue	**3,429,546**	3,756,783
Profit	**984,038**	1,198,845

9 AVAILABLE-FOR-SALE INVESTMENTS

	2011 BD	2010 BD
Equity investments:	**1,589,717**	1,635,355
Quoted investments	**310,800**	503,070
Unquoted investments (at cost) *	**1,900,517**	2,138,425

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

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

	2011 BD	2010 BD
Net unrealized (loss) gain	**(45,638)**	74,092
Net realized gains recognized in the statement of income on disposal	-	(438,770)
	(45,638)	(364,678)

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

	2011 BD	2010 BD
Proceeds from disposal of available-for-sale investment	**279,883**	698,760
Less: cost of disposed available-for-sale investment	**(192,270)**	(121,230)
Net realized gain on sale of available-for-sale investment	**87,613**	577,530
Less: Fair value previously recognised in equity and released to the statement of income upon sale	**-**	(438,770)
Fair value gain for the year on disposed investments	**87,613**	138,760

Notes to the Financial Statements
Year ended 31 December 2011

10 INVENTORIES

	2011 BD	2010 BD
Food and beverages	**31,393**	41,791
General stores	**14,833**	11,977
	46,226	53,768

The amount of inventory recognized as expenditure in gross operating costs during the year amounted to BD 453,208 (2010: BD 804,107).

11 HELD-FOR-TRADING INVESTMENTS

	2011 BD	2010 BD
Managed portfolios	**359,899**	386,470
Quoted equities	**34,545**	39,964
	394,444	426,434
As at 31 December, the analysis of managed portfolios is as follows:		
Quoted equities	**341,618**	378,671
Cash with managers	**18,281**	7,799
	359,899	386,470

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

12 TRADE AND OTHER RECEIVABLES

	2011 BD	2010 BD
Trade receivables	**400,752**	659,018
Less: Provision for doubtful receivables	**(11,845)**	(16,646)
	388,907	642,372
Prepaid expenses	**81,803**	75,578
Amounts due from a related party (note 28)	**16,399**	12,127
Other receivables	**21,414**	33,525
	508,523	763,602

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 days terms. For terms and conditions relating to related party receivables, refer to note 28.

As at 31 December 2011, trade receivables with a nominal value of BD 11,845 (2010: BD 16,646) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2011 BD	2010 BD
At 1 January	**16,646**	45,403
Provision written back	**(4,801)**	(28,757)
At 31 December	**11,845**	16,646

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
2011	**388,907**	**127,383**	**250,859**	**4,663**	**68**	**5,934**
2010	642,372	465,339	84,164	22,469	22,165	48,235

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.

Notes to the Financial Statements
Year ended 31 December 2011

13 CASH AND CASH EQUIVALENTS

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

	2011 BD	2010 BD
Cash in hand	**14,367**	16,176
Cash at banks	**405,701**	545,871
Term deposits	**3,405,396**	3,284,570
Bank balances and cash	**3,825,464**	3,846,617
Term deposits with an original maturity of more than three months	**(3,405,396)**	(3,284,570)
Restricted cash	**(210,874)**	(197,879)
Cash and cash equivalents as per the statement of cash flows	**209,194**	364,168

Bank balances amounting to BD 210,874 (2010: BD 197,879) representing unclaimed dividends have not been included in cash and cash equivalents.

Term deposits are short term deposits, denominated in Bahraini Dinars and held with commercial banks in the Kingdom of Bahrain with an average effective interest rate of 3.6% (2010: 3.9%). These term deposits have a maturity ranging from six months to one year (2010: same).

The Company has an overdraft facility amounting to BD15,000,000 (2010: BD 15,000,000) from a commercial bank in the Kingdom of Bahrain. As of the statement of financial position date, the Company has availed a portion of the overdraft facility from the bank. Refer to note 21 for details of the overdraft facility. The overdraft balance is not treated as a cash and cash equivalents as the overdraft is restricted in its use to capital expenditure and the company is not required to repay the balance until it is converted to a term loan.

14 SHARE CAPITAL

The authorised, issued and paid-up share capital consists of 100,000,000 shares of BD 0.100 each (2009: 100,000,000 shares of BD 0.100 each).

15 TREASURY SHARES

Treasury shares represent the purchase by the Company of its own shares. As at 31 December 2011, the Company had purchased 975,290 shares (2010: 975,290 shares).

16 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.

17 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.

18 REVALUATION RESERVE

The revaluation reserve relates to the fair valuation of freehold land owned by the Company.

The freehold land was revalued by professional valuers as of 31 December 2010. There was no valuation performed on the freehold land in the current year as the directors believe that there were no changes in the fair value since the last valuation. During 2010, a reduction of BD 220,184 has been offset against the revaluation surplus in the reserve.

19 DIVIDENDS

a) Dividends proposed and paid

During 2011, dividends of 20 fils per share, relating to 2010 totaling BD 1,980,494 were declared and paid (2010: 20 fils per share relating to 2009 totaling BD 1,980,494).

The Board of Directors has proposed a cash dividend of 10 fils per share totaling BD 990,247 (2010: 20 fils per share totaling BD 1,980,494), 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:

	2011	2010
Dividend for the year in BD	**990,247**	1,980,494
Number of eligible shares at the year-end	**99,024,710**	99,024,710
Dividend per share–fils	**10**	20

Notes to the Financial Statements
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20 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:

	2011 BD	2010 BD
Provision as at 1 January	**251,635**	233,211
Provided during the year	**35,643**	69,204
End of service benefits paid	**(115,260)**	(50,780)
Provision as at 31 December	**172,018**	251,635

21 BORROWINGS

	2011 BD	2010 BD
From a commercial bank	**12,416,623**	5,917,884

The Company refinanced its existing overdraft facility with a commercial bank for the construction of a commercial property within the Kingdom of Bahrain. The overdraft facility amounts to BD 15 million (2010: BD 15 million). During the construction phase of the commercial property, the facility will be treated as an overdraft and interest will be accrued monthly at the rate of BIBOR plus 2.50%. (2010: BIBOR plus 2.50%). After the completion of 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 2011 was 3.50% (2010: 3.50%). The facility is secured by a mortgage over the freehold land and the hotel building and is restricted for use in financing the construction of the commercial property. During the year, interest in the amount of BD 392,181 (2010: BD 154,348) was capitalised as part of property, plant and equipment. At 31 December 2011, the undrawn facility amount was BD 2,583,377 (2010: BD 9,082,116).

22 TRADE AND OTHER PAYABLES

	2011 BD	2010 BD
Trade payables	**336,116**	249,911
Retentions payable	**2,693,332**	2,215,649
Construction contractors payable	**126,461**	1,755,618
Accrued expenses	**474,275**	625,178
Advances from customers	**229,912**	373,165
Amounts due to related parties (note 28)	**225,069**	345,281
Provision for charitable contributions	**171,350**	199,350
Other payables	**196,943**	195,154
Deferred income	**27,478**	29,915
	4,480,936	5,989,221

Trade payables are non-interest bearing and are normally settled within 45 days of receipt of the goods or service.

Movements in the provision for charitable contributions recognised in the statement of financial position are as follows:

	2011 BD	2010 BD
Provision as at 1 January	**199,350**	177,550
Amount provided during the year	**50,000**	100,000
Charitable contributions paid	**(78,000)**	(78,200)
Provision as at 31 December	**171,350**	199,350

23 GROSS OPERATING REVENUE

	2011 BD	2010 BD
Rooms	**2,411,075**	5,199,930
Food and beverages	**1,620,901**	3,475,132
Serviced apartments	**1,526,331**	2,588,919
Other departments	**409,001**	669,586
	5,967,308	11,933,567

Notes to the Financial Statements
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24 GROSS OPERATING COSTS

	2011	2010
	BD	BD
Food and beverages	**1,011,578**	2,007,506
Room related expenses	**495,402**	832,519
Serviced apartments related expenses	**312,951**	412,891
Other operating departments	**1,623,416**	2,361,180
	3,443,347	5,614,096

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

	2011	2010
	BD	BD
Payroll and related expenses	**1,628,405**	2,630,972
Consumption of inventories	**453,208**	804,107
Management fees (note 28)	**173,668**	459,147
Repairs and maintenance	**391,648**	443,663
Utilities, insurance and taxes	**22,738**	301,564
Other	**773,680**	974,643
	3,443,347	5,614,096

25 MISCELLANEOUS INCOME

	2011	2010
	BD	BD
Rental income	**240,000**	240,000
Rezidor sponsorship fee (note 28)	**16,168**	16,168
Other	**19,768**	52,932
	275,936	309,100

26 PROFIT FOR THE YEAR

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

	2011	2010
	BD	BD
Salaries and wages	**1,089,738**	1,444,480
Employees' end of service benefits (note 20)	**35,643**	69,204
Contributions to the Social Insurance Organisation scheme:		
- Bahrainis	**72,069**	79,621
- Non-Bahrainis	**21,718**	30,371
Other staff expenses and benefits	**638,970**	1,237,497
	1,858,138	2,861,173
The staff costs has been allocated in the statement of income as follows:		
Gross operating costs	**1,628,405**	2,630,972
General and administration expenses	**229,733**	230,201
	1,858,138	2,861,173
Write back of provision for doubtful debts	**(4,801)**	(28,757)

27 BASIC AND DILUTED EARNINGS PER SHARE

	2011	2010
Profit for the year - BD	**2,449,697**	7,065,504
Weighted average shares in issue (net of treasury shares)	**99,024,710**	99,024,710
Basic and diluted earnings per share - fils	**25**	71

No separate 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
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28 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:

	2011				2010			
	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	**66,773**	**-**	**-**	**-**	170,535	-	-	-
Rezidor	**-**	**173,668**	**7,562**	**16,168**	-	459,147	18,689	16,168
Directors	**-**	**-**	**15,000**	**7,170**	-	-	-	12,695
	66,773	**173,668**	**22,562**	**23,338**	170,535	459,147	18,689	28,863

In 2010 the Company sold part of its holding in a quoted investment included within available-for-sale investments (note 9) for BD 698,760 and realised a profit on sale of BD 577,530 in the statement of income. No similar transactions took place in the prior year.

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

	2011		2010	
	Receivables BD	**Payables BD**	Receivables BD	Payables BD
Associated company	**229**	**15,503**	-	29,586
Rezidor	**16,170**	**174,472**	12,127	315,695
Other related parties	**-**	**35,094**	-	-
	16,399	**225,069**	12,127	345,281

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 2011 amounted to BD 144,000 (2010: BD 144,000).

Compensation of key management personnel

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

	2011 BD	2010 BD
Short-term benefits	**124,308**	136,154
Employee's end of service benefits	**11,730**	12,220
	136,038	148,374

29 COMMITMENTS

The directors have authorised future capital expenditure amounting to BD 708,851 (2010: BD 4,872,100) as of the statement of financial position date.

30 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.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

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

As at 31 December 2011, the Company has term deposits with a commercial bank in the Kingdom of Bahrain and an overdraft facility for the purpose of construction of the commercial property.

The term deposits and their effective interest rate at 31 December 2011 are disclosed in note 13. The Company is not exposed to short term interest rate risk on the term deposits as they are fixed rate deposits.

The overdraft facility and its effective interest rate at 31 December 2011 are disclosed in note 21. Interest paid on the facility drawn is capitalised as part of the cost of the commercial property. A 100 basis point change in the interest rates on the outstanding borrowings will increase the cost of the commercial property by BD 124,166 (2010: BD 59,179).

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 24% of outstanding trade receivables at 31 December 2011 (2010: 28%).

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, 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 2011					
Trade and other payables	**1,161,921**	**2,890,275**	**-**	**-**	**4,052,196**
Borrowings	**-**	**575,834**	**9,213,341**	**4,030,837**	**13,820,012**
Total	**1,161,921**	**3,466,109**	**9,213,341**	**4,030,837**	**17,872,208**

	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	> 5 years BD	Total BD
31 December 2010					
Trade and other payables	2,975,988	2,410,803	-	-	5,386,791
Borrowings	-	548,896	4,391,169	1,646,688	6,586,753
Total	2,975,988	2,959,699	4,391,169	1,646,688	11,973,544

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Year ended 31 December 2011

30 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 69% of the total investments as of 31 December 2011 (2010: 64%). 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 2011 BD	**Effect on equity 2011 BD**	**Effect on profit 2011 BD**	Change in equity price 2010 BD	Effect on equity 2010 BD	Effect on profit 2010 BD
Available-for-sale investments						
Quoted	**+20%**	**317,943**	-	+20%	327,071	-
Held-for-trading						
Quoted	**+20%**	-	**140,303**	+20%	-	83,727

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.

Capital management

Capital includes share capital, treasury shares, statutory reserve, general reserve, revaluation reserve, cumulative changes in fair values, retained earnings and proposed dividends.

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 years ended 31 December 2011 and 31 December 2010.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 25%. The Company includes within net debt, interest bearing loans and borrowing, trade and others payables, less cash and cash equivalents.

Notes to the Financial Statements
Year ended 31 December 2011

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

	2011 BD	2010 BD
Interest-bearing loans and borrowings (note 21)	**12,416,623**	5,917,884
Trade and other payables (note 22)	**4,480,936**	5,989,221
Cash and cash equivalents (note 13)	**(209,194)**	(364,168)
Net debt	**16,688,365**	11,542,937
Total capital	**68,248,648**	67,856,865
Capital and net debt	**84,937,013**	79,399,802
Gearing ratio	**20%**	15%

31 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 9), are not materially different from their carrying values at the statement of financial position date.

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.

As at 31 December 2011, the Company held the following financial instruments measured at fair value:

	2011 BD	2010 BD
Financial assets measured at fair value		
Available-for-sale investments	**1,589,717**	1,635,355
Held-for-trading investments	**341,618**	378,671
Total	**1,931,335**	2,014,026

All financial assets above are catagorised as level 1 in the fair value hierarchy.

During the reporting periods ended 31 December 2011 and 31 December 2010, there were no transfers among the levels of fair value hierarchy.

32 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, held-for-trading investments and accounts receivable. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two segments is allocated to segments on a reasonable basis.

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

Notes to the Financial Statements
Year ended 31 December 2011

32 SEGMENT INFORMATION (continued)

	Hotel business and corporate		Investments		Total	
	2011	2010	**2011**	2010	**2011**	2010
	BD	BD	**BD**	BD	**BD**	BD
Gross operating revenue	**5,967,308**	11,933,567	**-**	-	**5,967,308**	11,933,567
Gross operating costs	**(3,443,347)**	(5,614,096)	**-**	-	**(3,443,347)**	(5,614,096)
Gross operating profit	**2,523,961**	6,319,471	**-**	-	**2,523,961**	6,319,471
Investment income (net)	**-**	-	**1,323,519**	2,187,191	**1,323,519**	2,187,191
Other income	**275,936**	309,100	**-**	-	**275,936**	309,100
Depreciation	**(1,140,882)**	(1,160,012)	**-**	-	**(1,140,882)**	(1,160,012)
Expenses	**(529,102)**	(586,816)	**(3,735)**	(3,430)	**(532,837)**	(590,246)
Net profit for the year	**1,129,913**	4,881,743	**1,319,784**	2,183,761	**2,449,697**	7,065,504
Total assets	**74,532,204**	69,510,789	**10,786,021**	10,504,816	**85,318,225**	80,015,605
Total liabilities	**17,069,577**	12,158,740	**-**	-	**17,069,577**	12,158,740
Capital expenditure	**6,426,420**	14,556,995	**-**	-	**6,426,420**	14,556,995

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.

33 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:

Name	Nationality	No. of share
Social Insurance Organization (Pension)	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%	6,811,978	4,103	7
1% up to less than 5%	6,278,536	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	4,110	99
Treasury shares	975,290	-	1
	100,000,000	4,110	100

Directors ownership interest

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

Faisal Ahmed Al Zayani (Chairman of the Company) holds 176,764 (31 December 2010: 176,764) shares in the Company as at 31 December 2011 representing 0.18% (31 December 2010: 0.18%) holding in the Company.

Notes to the Financial Statements

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34 CORPORATE GOVERNANCE DISCLOSURES

(i) Board, Board Members and Management

Board and Directors' Responsibilities

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholder Interests. The Board Role and responsibilities include but not limited to:

- Responsible for establishing the Company's policies and strategy and for regularly monitoring the effectiveness of executive management in carrying our those policies and strategy.
- Ensure that the Company is managed prudently in compliance with its Memorandum and Articles of Association.
- Approving budgets, financial statements, major finance decision, strategic investment decision making, acquisitions and major asset disposal decisions.
- In this respect, the Directors remain individually and collectively responsible for performing all Board of Director's tasks.

Material transactions requiring board approval

The following material transactions require board review, evaluation and approval:

- Long term strategic plan
- Annual business plan
- Business continuity plan
- Policies of the Company
- Risk management framework
- Appointment of sub-committee members

Election system of directors and termination process

Appointment / re-appointment of Board members take place every three years at the meeting of the Shareholders.

Termination of a Board member's mandate usually occurs by dismissal at the Meeting of the Shareholder or by the member's resignation from the Board of Directors.

Directors trading of company shares

The Directors did not trade in any shares during the year ended 31 December 2011.

Code of conduct and procedures adopted by the Board for monitoring compliance

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The Code of Conduct defines how the Company relates to its employees, shareholders and the community in which the Company operates.

The Board of directors has adopted the National Hotels Company Code of Conduct and procedures Whistleblower policy to monitor compliance with company ethics. The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues. The Code of Conduct will be published in the 'Corporate Governance' section of the Company's website.

The Board of Directors consist of 7 members as of 31 December 2011.
The Board has been elected on 30 April 2009 for a period of 3 years.
The following table summarises the information about the profession, business title, experience in years, start date and the qualifications of the current Board members;

Name of Board Member	Profession	Business Title	Executive/non executive independent/ non independent
1 Mr. Faisal Ahmed Al Zayani	Businessman	Chairman	Executive / Independent
2 Mr. Yousef Dekheel Al Dekheel	Representing Kuwait Investment Authority	Vice Chairman and Managing Director	Executive / Non-independent
3 Mr. Abdul Latif Ahmed Al Zayani	Representing Social Insurance Organization	Director	Non Executive / Non- independent
4 Mr. Mishari Zaid Al Khalid	Representing Kuwait Investment Company	Director	Non Executive / Non- independent

Notes to the Financial Statements
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34 CORPORATE GOVERNANCE DISCLOSURES (Continued)

(i) Board, Board Members and Management(continued)

5 Mr. Mohammed Ali Talib	Representing Social Insurance Organization	Director	Non Executive / Non- independent
6 Mr. Nabil Abdulla Al Khalaf Al Saeed	Representing Kuwait Investment Company	Director	Non Executive / Non- independent
7 Mr. Ayad Abdulla Ahmed Al Sumait	Representing Kuwait	Director	Non Executive / Non- independent

The following board members had directorship of other boards:

Name of board member	Number of Directorships in Listed Companies
Mr. Abdul Latif Ahmed Al Zayani	1

The Company should hold a minimum of four Board meetings during each year. During the year ended 31 December 2011 six Board meetings were held. The following table summarises the information about Board of Directors meeting dates and attendance of directors at each meeting:

Members	17-Feb-11	24-Mar-11	25-Apr-11	20-Jul-11	20-Oct-11	7-Dec-11
Mr. Faisal Ahmed Al Zayani	✓	✕	✓	✕	✓	✓
Mr. Yousef Dekheel Al Dekheel	✓	✓	✓	✓	✓	✓
Mr. Abdul Latif Ahmed Al Zayani	✓	✓	✓	✓	✓	✓
Mr. Mishari Zaid Al Khalid	✓	✓	✓	✓	✓	✓
Mr. Mohammed Ali Talib	✓	✓	✓	✓	✕	✓
Mr. Nabil Abdulla Al Khalaf Al Saeed	✓	✓	✓	✓	✓	✓
Mr. Ayad Abdulla Ahmed Al Sumait	✓	✕	✓	✓	✓	✓

Remuneration policy

The remuneration policy is based on attendance fees and basic fees.

The remuneration of individual members is given in the below table:

Members	Meetings Attended	Fee / Meeting	Attendance Fee	Basic Fees	**Total Fee**
Mr. Faisal Ahmed Al Zayani	4	400	1,600	22,000	**23,600**
Mr. Yousef Dekheel Al Dekheel	6	400	2,400	22,000	**24,400**
Mr. Abdul Latif Ahmed Al Zayani	6	400	2,400	20,000	**22,400**
Mr. Mishari Zaid Al Khalid	6	400	2,400	20,000	**22,400**
Mr. Mohammed Ali Talib	5	400	2,000	20,000	**22,000**
Mr. Nabil Abdulla Al Khalaf Al Saeed	6	400	2,400	20,000	**22,400**
Mr. Ayad Abdulla Ahmed Al Sumait	5	400	2,000	20,000	**22,000**
					159,200

Notes to the Financial Statements
Year ended 31 December 2011

34 CORPORATE GOVERNANCE DISCLOSURES (Continued)

(i) Board, Board Members and Management (continued)

The following table summarises the information about the profession, business title, experience in years and the qualifications of each of the Executive Management;

	Name of Executive Member	Designation	Profession	Business Title	Experience in years
1	Mr. Abdul Rahman A. Morshed	Chief Executive Officer	Administration	CEO	30
2	Mr. Panos Panagis	General Manager	Administration	GM	12
3	Mr. Ramesh Shankar	Group Chief Accountant	Finance	GCA	12
4	Mr. Kim Bhagat	Financial Controller	Finance	FC	24
5	Mr. Salim Thakkur	Director of Engineering	Engineering	DOE	17
6	Mr. Michael Kuhn	Director of Sales and Marketing	Sales	DOSM	8
7	Ms. Denise Al Meer	Human Resource Manager	Human Recourses	HRM	8
8	Mr. Tonny Robinson	Security Manager	Security	SM	7
9	Mr. K.P.Chandran	Executive-House Keeping	House Keeping	EHK	8
10	Mr. Mohammed Al Shaikha	Front Office Manager	Administration	FOM	5
11	Ms. Monica Van Vuuren	Revenue Manager	Administration	RM	4
12	Mr. Raimund Braun	Executive Chef	Catering	EC	17

The following table summarises the remuneration paid to the executive management

Salaries and wages	**243,825**
Employees' end of service benefits	**52,426**
Bonuses	**47,046**
Total	**343,297**

(ii) Committees

The following table summarises the information about Board Committees, their members and objectives;

Board Committee	Objective	Members	Executive/non executive independent/ non independent
Executive Committee	The Executive Committee's overall primarily responsibility is to perform functions of the Board of Directors when there is a critical need for prompt review and action of the Board of Directors and it is not practical to arrange for a meeting within the time reasonably available. In addition, the Executive Committee will assist the Board of Directors in maintaining oversight of NHC's operations, finance, investments and risk management matters.	Mr. Abdul Latif Ahmed Al Zayani Mr. Mishari Zaid Al Khalid Mr. Mohammed Ali Talib Mr. Nabil Abdulla Al Khalaf Al Saeed	Non-executive / Non-independent Non-executive / Non-independent Non-executive / Non-independent Non-executive / Non-independent

Notes to the Financial Statements
Year ended 31 December 2011

34 CORPORATE GOVERNANCE DISCLOSURES (Continued)

(ii) Committees (continued)

Audit Committee	The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the Management of the Company. The Audit Committee has the authority to conduct or direct any investigation required to fulfill its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers,	Mr. Abdul Latif Ahmed Al Zayani	Non-executive / Independent
		Mr. Mishari Zaid Al Khalid	Non-executive / Independent
		Mr. Mohammed Ali Talib	Non-executive / Independent
		Mr. Nabil Abdulla Al Khalaf Al Saeed	Non-executive / Independent

The Company should hold a minimum of two Executive and Audit committee meetings during each year. During the year ended 31 December 2011 two Executive and Audit committee meetings were held. The following table summarises the information about committee meeting dates and attendance of directors at each meeting:

Members	16-Feb-11	9-Oct-11
Mr. Abdul Latif Ahmed Al Zayani	✓	✓
Mr. Mishari Zaid Al Khalid	✓	✓
Mr. Mohammed Ali Talib	✓	✗
Mr. Nabil Abdulla Al Saeed	✓	✓

The following table summarises the remuneration for each committee member:

Member	Remuneration
Mr. Abdul Latif Ahmed Al Zayani	**800**
Mr. Mishari Zaid Al Khalid	**800**
Mr. Mohammed Ali Talib	**400**
Mr. Nabil Abdulla Al Saeed	**800**
	2,800

(iii) Corporate Governance

Changes to the Company's corporate governance guidelines

In 2011, the Company has revisited its corporate governance framework and guidelines to ensure compliance with the Corporate Governance code enacted in 2010.

Compliance with the corporate governance code

In 2011, the Company has revisited its corporate governance framework and guidelines to ensure compliance with the Corporate Governance code enacted in 2010.

Conflict of interest:

In 2011, no instances of conflicts of interest have arisen. In the instance of a conflict of interest arising as a result of any business transaction or any type of resolution to be taken, the concerned Board member shall refrain from participating at the discussion of such transaction or resolution to be taken. In this respect, The Company's Board members usually inform the Board of a potential conflict of interest prior to the discussion of any transaction or resolution. The concerned Board member(s) also refrain from voting in any instance where a conflict of interest shall arise.

Evaluation of Board performance

The Annual General Meeting of the Shareholders evaluates on a yearly basis the Board of Directors' Performance and absolves it from liabilities.

Chairman and CEO performance

The Chairman and CEO Performance are evaluated by the Board of Directors on a yearly basis.

Notes to the Financial Statements
Year ended 31 December 2011

34 CORPORATE GOVERNANCE DISCLOSURES (Continued)

(iii) Corporate Governance (continued)

Means of communication with shareholders and investors

The Company is committed to providing relevant and timely information to its shareholders in accordance with its continuous disclosure obligations under the Corporate Governance Code.

Information is communicated to shareholders through the distribution of the Company's Annual Report and other communications. All releases are posted on the Company's website and released to the shareholders in a timely manner.

The Company Secretary is responsible for communications with the Shareholders and ensuring that the Company meets its continuous disclosure obligations.

Management of principal risks and uncertainties faced by the Company.

The management of principal risks and uncertainties faced by the Company is managed by the Executive Committee and the Board of Directors.

Review of internal control processes and procedures

The review of internal control process and procedures is performed regularly by the Company's internal auditors, which is outsourced, to ensure efficiency.

35 SOCIAL RESPONSIBILITY

The Company discharges its social responsibilities through corporate donations and sponsorships on projects and organisations aiming at social sustainable development and relief.