

**National Hotels Company B.S.C.**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL HOTELS COMPANY B.S.C.

### **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 2012, and the statements of income, 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
NATIONAL HOTELS COMPANY B.S.C. (continued)**

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, 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 2012 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

20 February 2013  
Manama, Kingdom of Bahrain

# National Hotels Company B.S.C.

## STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 BD	2011 BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	72,968,905	73,977,455
Investment in an associate	8	5,289,027	4,665,596
Available-for-sale investments	9	2,012,076	1,900,517
<b>Total non-current assets</b>		<b>80,270,008</b>	<b>80,543,568</b>
<b>Current assets</b>			
Inventories	10	56,892	46,226
Held-for-trading investments	11	397,412	394,444
Trade and other receivables	12	696,886	508,523
Bank balances and cash	13	5,741,582	3,825,464
<b>Total current assets</b>		<b>6,892,772</b>	<b>4,774,657</b>
<b>TOTAL ASSETS</b>		<b>87,162,780</b>	<b>85,318,225</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	10,000,000	10,000,000
Treasury shares	15	(94,726)	(94,726)
Statutory reserve	16	5,000,000	4,819,216
General reserve	17	3,215,079	3,215,079
Revaluation reserve	18	27,382,813	27,382,813
Available-for-sale investments reserve		1,397,172	1,242,479
Retained earnings		21,560,621	20,693,540
Proposed dividend	19	990,247	990,247
<b>Total equity</b>		<b>69,451,206</b>	<b>68,248,648</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits	20	228,074	172,018
Borrowings	21	10,648,429	12,416,623
<b>Total non-current liabilities</b>		<b>10,876,503</b>	<b>12,588,641</b>
<b>Current liabilities</b>			
Trade and other payables	22	3,808,105	4,480,936
Borrowings	21	3,026,966	-
<b>Total current liabilities</b>		<b>6,835,071</b>	<b>4,480,936</b>
<b>Total liabilities</b>		<b>17,711,574</b>	<b>17,069,577</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>87,162,780</b>	<b>85,318,225</b>



Faisal Ahmed Al Zayani  
Chairman



Ayad Abdulla Ahmed Al Sumait  
Vice Chairman and Managing Director

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

# National Hotels Company B.S.C.

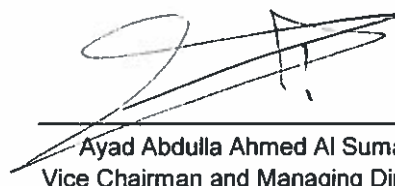
## STATEMENT OF INCOME

For the year ended 31 December 2012

	Note	2012 BD	2011 BD
Gross operating revenue	23	7,086,236	5,967,308
Gross operating costs	24	(3,976,322)	(3,443,347)
<b>GROSS OPERATING PROFIT</b>		<b>3,109,914</b>	<b>2,523,961</b>
Net investment income:			
Share of profit from an associate	8	1,120,297	984,038
Dividend income		145,766	156,431
Interest on term deposits		88,148	127,427
Net realised gain on sale of available-for-sale investments	9	-	87,613
Net changes in cumulative fair value of held-for-trading investments		2,968	(31,990)
		<b>1,357,179</b>	<b>1,323,519</b>
Miscellaneous income	25	279,128	275,936
Income from office towers		8,033	-
Depreciation	7	(1,704,251)	(1,140,882)
General and administration expenses		(655,501)	(532,837)
Financial charges		(356,390)	-
<b>PROFIT FOR THE YEAR</b>		<b>2,038,112</b>	<b>2,449,697</b>
Basic and diluted earnings per share (in fils)	27	21	25
Dividend per share (in fils)	19 (b)	10	10



Faisal Ahmed Al Zayani  
Chairman



Ayad Abdulla Ahmed Al Sumait  
Vice Chairman and Managing Director

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

National Hotels Company B.S.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Note</i>	<b>2012 BD</b>	<b>2011 BD</b>
Profit for the year		<b>2,038,112</b>	<b>2,449,697</b>
<b>Other comprehensive income</b>			
Net movement in fair values of available for sale investments during the year	9	<b>111,559</b>	<b>(45,638)</b>
Share in associate's cumulative changes in fair	8	<b>43,134</b>	<b>(31,782)</b>
<b>Other comprehensive income (loss) for the year</b>		<b>154,693</b>	<b>(77,420)</b>
<b>Total comprehensive income for the year</b>		<b>2,192,805</b>	<b>2,372,277</b>

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

# National Hotels Company B.S.C.

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 BD	2011 BD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		2,038,112	2,449,697
Adjustments for:			
Depreciation	7	1,704,251	1,140,882
Share of profit from an associate	8	(1,120,297)	(984,038)
Provision (Write back of provision) for doubtful receivables	12	5,517	(4,801)
Provision for employees' end of service benefits	20	67,957	35,643
Write-off of property, plant and equipment	7	60	1,502
Profit on disposal of available-for-sale investments	9	-	(87,613)
Net change in the fair value of held-for-trading investments		(2,968)	31,990
Dividend income		(145,766)	(156,431)
Interest on term deposits		(88,148)	(127,427)
Operating profit before working capital changes		2,458,718	2,299,404
Working capital changes:			
Inventories		(10,666)	7,542
Trade and other receivables		(193,880)	259,880
Trade and other payables		465,589	(138,709)
Cash from operations		2,719,761	2,428,117
Directors' remuneration paid		(144,000)	(144,000)
Employees' end of service benefits paid	20	(11,901)	(115,260)
Charitable contributions paid	22	(64,000)	(78,000)
Net cash flows from operating activities		2,499,860	2,090,857
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,630,457)	(7,586,991)
Dividend received from an associate	8	540,000	380,000
Other dividends received		145,766	156,431
Interest received		88,148	127,427
Proceeds from disposal of available-for-sale investments	9	-	279,883
Term deposits with maturity greater than 3 months (net)		(1,120,049)	(120,826)
Net cash flows used in investing activities		(1,976,592)	(6,764,076)
<b>FINANCING ACTIVITIES</b>			
Dividends paid	19 (a)	(990,247)	(1,980,494)
Proceeds from borrowings		4,716,234	9,125,110
Repayment of borrowings		(3,457,462)	(2,626,371)
Net cash flows from financing activities		268,525	4,518,245
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>791,793</b>	<b>(154,974)</b>
Cash and cash equivalents at 1 January		209,194	364,168
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	13	<b>1,000,987</b>	<b>209,194</b>

### Non-cash items:

- (i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 1,876,001 (2011: BD 2,810,697) were not settled as of the date of statement of financial position.
- (ii) Unclaimed dividends pertaining to prior years amounting to BD 215,150 (2011: BD 210,874) has been excluded from the movement of trade and other payables.

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

# National Hotels Company B.S.C.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Note	Share capital BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Revaluation reserve BD	Available- for-sale investments reserve BD	Retained earnings BD	Proposed dividend BD	Total BD
Balance at 1 January 2012		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
Profit for the year		-	-	-	-	-	-	2,038,112	-	2,038,112
Other comprehensive income		-	-	-	-	-	154,693	-	-	154,693
Total comprehensive income		-	-	-	-	-	154,693	2,038,112	-	2,192,805
Dividend paid - 2011		-	-	-	-	-	-	-	(990,247)	(990,247)
Proposed dividend - 2012		-	-	-	-	-	-	(990,247)	990,247	-
Transfer to statutory reserve		-	-	180,784	-	-	-	(180,784)	-	-
<b>Balance at 31 December 2012</b>		<b>10,000,000</b>	<b>(94,726)</b>	<b>5,000,000</b>	<b>3,215,079</b>	<b>27,382,813</b>	<b>1,397,172</b>	<b>21,560,621</b>	<b>990,247</b>	<b>69,451,206</b>
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

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



# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

### 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. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly.

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 20 February 2013.

### 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 (applicable provisions of Volume 6) 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 2012:

#### *IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no impact on the Company's financial position, performance or its disclosures.

#### *IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact on the financial position, performance or the disclosures of the Company.

**3 CHANGES IN ACCOUNTING POLICIES (continued)**

*IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

**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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.

National Hotels Company B.S.C.  
NOTES TO THE FINANCIAL STATEMENTS

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31 December 2012

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

**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 as other comprehensive income 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.

National Hotels Company B.S.C.  
NOTES TO THE FINANCIAL STATEMENTS

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31 December 2012

**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 as other comprehensive income 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 on 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.

**National Hotels Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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31 December 2012

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities (continued)**

**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.

**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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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**

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them.

**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.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currencies (continued)**

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.

**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 604,510 (2011: BD 400,752) and the provision for doubtful receivables was BD 17,362 (2011: BD 11,845). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.



**5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

**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 44,600 (2011: BD 31,393) and general stores BD 12,292. (2011: BD 14,833), and there was no allowance for old and obsolete inventories (2011: 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 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- *IAS 1 (Amendment) Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, effective for annual periods beginning on or after 1 July 2012*
- *IAS 12 Income Taxes – Recovery of Underlying Assets effective for annual periods beginning on or after 1 January 2013;*
- *IAS 19 (Amended) Employee Benefits, effective for annual periods beginning on or after 1 January 2013*
- *IAS 27 Separate Financial Statements, effective for annual periods beginning on or after 1 January 2013*
- *IAS 28 Investments in Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2013*
- *IFRS 9 Financial Instruments: Classification and Measurement effective for annual periods beginning on or after 1 January 2015*
- *IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or 1 January 2013*
- *IFRS 11 Joint Arrangements, effective for annual periods beginning on or 1 January 2013*
- *IFRS 12 Disclosures of Interests in Other Entities, effective for annual periods beginning on or 1 January 2013*
- *IFRS 13 Fair Value Measurements, effective for annual periods beginning on or 1 January 2013*

Other standards and interpretations that have been issued but not yet effective are not likely to have any significant impact on the financial statements of the Company in the period of their initial application.

National Hotels Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold 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 2012	27,950,120	29,155,196	679,365	4,097,667	4,868,598	27,951,420	94,702,366
Additions	-	57,232	6,932	24,503	94,590	512,504	695,761
Transfer	-	24,952,856	-	-	3,385,068	(28,337,924)	-
Write-offs	-	-	-	(914)	(1,130)	-	(2,044)
At 31 December 2012	27,950,120	54,165,284	686,297	4,121,256	8,347,126	126,000	95,396,083
Depreciation:							
At 1 January 2012	-	13,001,614	602,218	3,374,785	3,746,294	-	20,724,911
Charge for the year	-	1,137,316	27,229	180,414	359,292	-	1,704,251
Relating to write-offs	-	-	-	(854)	(1,130)	-	(1,984)
At 31 December 2012	-	14,138,930	629,447	3,554,345	4,104,456	-	22,427,178
Net carrying amounts:							
At 31 December 2012	27,950,120	40,026,354	56,850	566,911	4,242,670	126,000	72,968,905

National Hotels Company B.S.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold 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

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 2012.

b) The carrying amount of freehold land, if carried at cost, would be BD 567,307 (2011: BD 567,307).

National Hotels Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**8 INVESTMENT IN AN ASSOCIATE**

The Company has a 33.33% (2011: 33.33%) interest in African & Eastern (Bahrain) W.L.L., which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. The entity is not listed on any public exchange.

The movements during the year are as follows:

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
At 1 January	4,665,596	4,093,340
Share of profit during the year	1,120,297	984,038
Dividends received during the year	(540,000)	(380,000)
Share in associate's cumulative changes in fair values	43,134	(31,782)
At 31 December	<b>5,289,027</b>	<b>4,665,596</b>

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

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
<i>Share of associate's statement of financial position:</i>		
Current assets	1,502,460	1,387,638
Non-current assets	4,187,226	3,697,119
Current liabilities	(358,295)	(385,371)
Non-current liabilities	(42,364)	(33,790)
Net assets / carrying amount of investment	<b>5,289,027</b>	<b>4,665,596</b>
<i>Share of associate's revenue and profit:</i>		
Revenue	3,809,461	3,429,546
Profit	1,120,297	984,038

**9 AVAILABLE-FOR-SALE INVESTMENTS**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Equity investments:		
Quoted investments	1,701,276	1,589,717
Unquoted investments (at cost) *	310,800	310,800
	<b>2,012,076</b>	<b>1,900,517</b>

\* 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:

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Net unrealised gain (loss)	111,559	(45,638)
	<b>111,559</b>	<b>(45,638)</b>

**National Hotels Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**9 AVAILABLE-FOR-SALE INVESTMENTS (continued)**

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

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Proceeds from disposal of available-for-sale investment	-	279,883
Less: cost of disposed available-for-sale investment	-	(192,270)
	<u>-</u>	<u>87,613</u>
Fair value gain for the year on disposed investments	<u>-</u>	<u>87,613</u>

**10 INVENTORIES**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Food and beverages	<b>44,600</b>	31,393
General stores	<b>12,292</b>	14,833
	<u><b>56,892</b></u>	<u>46,226</u>

The amount of inventory recognised as expenditure in gross operating costs during the year amounted to BD 674,209 (2011: BD 453,208).

**11 HELD-FOR-TRADING INVESTMENTS**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Managed portfolios	<b>363,490</b>	359,899
Quoted equities	<b>33,922</b>	34,545
	<u><b>397,412</b></u>	<u>394,444</u>

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

Quoted equities	<b>339,858</b>	341,618
Cash with managers	<b>23,632</b>	18,281
	<u><b>363,490</b></u>	<u>359,899</u>

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

**12 TRADE AND OTHER RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Trade receivables	<b>604,510</b>	400,752
Less: Provision for doubtful receivables	<b>(17,362)</b>	(11,845)
	<u><b>587,148</b></u>	<u>388,907</u>
Prepaid expenses	<b>86,242</b>	81,803
Amounts due from a related party (note 28)	<b>12,236</b>	16,399
Other receivables	<b>11,260</b>	21,414
	<u><b>696,886</b></u>	<u>508,523</u>

# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 12 TRADE AND OTHER RECEIVABLES (continued)

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 2012, trade receivables with a nominal value of BD 17,362 (2011: BD 11,845) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2012 BD	2011 BD
At 1 January	11,845	16,646
Charge for the year	5,517	-
Provision written back	-	(4,801)
At 31 December	<u>17,362</u>	<u>11,845</u>

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

	Total BD	Neither past due nor impaired BD	Past due but not impaired			
			30 – 60 days BD	60 – 90 days BD	90 – 120 days BD	>120 days BD
2012	587,148	481,419	85,604	16,108	4,017	-
2011	388,907	127,383	250,859	4,663	68	5,934

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.

### 13 CASH AND CASH EQUIVALENTS

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

	2012 BD	2011 BD
Cash on hand	7,667	14,367
Cash at banks	1,208,470	405,701
Term deposits	4,525,445	3,405,396
Bank balances and cash	<u>5,741,582</u>	3,825,464
Term deposits with an original maturities of more than three months	(4,525,445)	(3,405,396)
Restricted cash	(215,150)	(210,874)
Cash and cash equivalents as per the statement of cash flows	<u>1,000,987</u>	<u>209,194</u>

Bank balances amounting to BD 215,150 (2011: BD 210,874) 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 2.3% (2011: 3.6%). These term deposits have original maturities ranging from one month to six months (2011: six months to one year).

National Hotels Company B.S.C.  
NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

**14 SHARE CAPITAL**

The authorised, issued and paid-up share capital consists of 100,000,000 shares of BD 0.100 each (2011: 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 2012, the Company had purchased 975,290 shares (2011: 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 to be 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. During the year the Company transferred BD 180,784 to the statutory reserve as the statutory reserve has reached 50% of the issued share capital.

**17 GENERAL RESERVE**

The general reserve represents funds set aside for the purpose of future capital expenditure and to enhance the 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 2012, dividends of 10 fils per share, relating to 2011 totaling BD 990,247 were declared and paid (2011: 20 fils per share relating to 2010 totaling BD 1,980,494).

The Board of Directors has proposed a cash dividend of 10 fils per share totaling BD 990,247 (2011: 10 fils per share totaling BD 990,247), 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:

	2012	2011
Dividend for the year in BD	<u>990,247</u>	<u>990,247</u>
Number of eligible shares at the year-end	<u>99,024,710</u>	<u>99,024,710</u>
Dividend per share—fils	<u>10</u>	<u>10</u>

**National Hotels Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**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:

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Provision as at 1 January	<b>172,018</b>	251,635
Provided during the year	<b>67,957</b>	35,643
End of service benefits paid	<b>(11,901)</b>	(115,260)
Provision as at 31 December	<b>228,074</b>	172,018

**21 BORROWINGS**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Current liability	<b>3,026,966</b>	-
Non-current liability	<b>10,648,429</b>	12,416,623
Total borrowings	<b>13,675,395</b>	12,416,623

The Company has obtained an overdraft facility of BD 15,000,000 from a commercial bank in Kingdom of Bahrain to finance the construction of a commercial property which was agreed with the commercial bank to convert the overdraft facility to a term loan upon the completion of the constructions. On 14 April 2012, the construction of the commercial property was completed and the overdraft facility was converted into a term loan, which is repayable in quarterly installments of BD 621,608 plus interest at a rate of 3 month BIBOR plus 2.5% over a period of six years starting on 12 July 2012. The effective interest rate at 31 December 2012 was 3.8% (31 December 2011: nil). The term loan is secured by a mortgage over the freehold land, improvements to buildings and buildings.

**22 TRADE AND OTHER PAYABLES**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Trade payables	<b>271,134</b>	336,116
Retentions payable	<b>1,379,298</b>	2,693,332
Construction contractors payable	<b>496,703</b>	126,461
Accrued expenses	<b>551,563</b>	474,275
Advances from customers	<b>329,915</b>	229,912
Amounts due to related parties (note 28)	<b>222,410</b>	225,069
Provision for charitable contributions	<b>157,350</b>	171,350
Other payables	<b>253,882</b>	196,943
Deferred income	<b>31,585</b>	27,478
Interest payables	<b>114,265</b>	-
	<b>3,808,105</b>	4,480,936

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



**National Hotels Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**22 TRADE AND OTHER PAYABLES (continued)**

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

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Provision as at 1 January	171,350	199,350
Amount provided during the year	50,000	50,000
Charitable contributions paid	(64,000)	(78,000)
Provision as at 31 December	<u>157,350</u>	<u>171,350</u>

**23 GROSS OPERATING REVENUE**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Rooms	2,941,681	2,411,075
Food and beverages	2,287,905	1,620,901
Serviced apartments	1,427,216	1,526,331
Other departments	429,434	409,001
	<u>7,086,236</u>	<u>5,967,308</u>

**24 GROSS OPERATING COSTS**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Room related expenses	516,038	495,402
Food and beverages	1,342,218	1,011,578
Serviced apartments related expenses	310,573	312,951
Other operating departments	1,807,493	1,623,416
	<u>3,976,322</u>	<u>3,443,347</u>

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

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Payroll and related expenses (note 26)	1,755,667	1,628,405
Consumption of inventories	674,209	453,208
Management fees (note 28)	241,474	173,668
Repairs and maintenance	203,528	227,327
Utilities, insurance and taxes	270,605	212,738
Others	830,839	748,001
	<u>3,976,322</u>	<u>3,443,347</u>

# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 25 MISCELLANEOUS INCOME

	2012 BD	2011 BD
Rental income	240,000	240,000
Rezidor sponsorship fee (note 28)	16,456	16,168
Other	22,672	19,768
	<u>279,128</u>	<u>275,936</u>

### 26 STAFF COSTS

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

	2012 BD	2011 BD
Salaries and wages	1,171,131	1,089,738
Employees' end of service benefits (note 20)	67,957	35,643
Contributions to the Social Insurance Organisation scheme:		
- Bahrainis	68,701	72,069
- Non-Bahrainis	20,722	21,718
Other staff expenses and benefits	704,732	638,970
	<u>2,033,243</u>	<u>1,858,138</u>

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

Gross operating costs	1,755,667	1,628,405
General and administration expenses	277,576	229,733
	<u>2,033,243</u>	<u>1,858,138</u>

### 27 BASIC AND DILUTED EARNINGS PER SHARE

	2012	2011
Profit for the year - BD	<u>2,038,112</u>	<u>2,449,697</u>
Weighted average shares in issue (net of treasury shares)	<u>99,024,710</u>	<u>99,024,710</u>
Basic and diluted earnings per share - fils	<u>21</u>	<u>25</u>

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

# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 28 RELATED PARTY TRANSACTIONS AND BALANCES

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:

	2012				2011			
	<i>Purchases</i>	<i>Fees for management services</i>	<i>Other expenses</i>	<i>Revenue and other income</i>	<i>Purchases</i>	<i>Fees for management services</i>	<i>Other expenses</i>	<i>Revenue and other income</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Associated company	87,446	-	-	266	66,773	-	-	-
Rezidor	-	241,474	2,510	36,972	-	173,668	7,562	16,168
Directors	-	-	238,720	9,613	-	-	233,173	7,170
	<b>87,446</b>	<b>241,474</b>	<b>241,230</b>	<b>46,851</b>	<b>66,773</b>	<b>173,668</b>	<b>240,735</b>	<b>23,338</b>

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

	2012		2011	
	<i>Receivables</i>	<i>Payables</i>	<i>Receivables</i>	<i>Payables</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Associated company	-	29,588	229	15,503
Rezidor	12,236	192,822	16,170	174,472
Other related parties	-	-	-	35,094
	<b>12,236</b>	<b>222,410</b>	<b>16,399</b>	<b>225,069</b>

#### 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 2012 amounted to BD 144,000 (2011: BD 144,000) which only includes the basic fees.

#### Compensation of key management personnel

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

	2012	2011
	<i>BD</i>	<i>BD</i>
Short-term benefits	151,332	124,308
Employee's end of service benefits	25,252	11,730
	<b>176,584</b>	<b>136,038</b>

At 31 December 2012

## 29 COMMITMENTS

The directors have authorised future capital expenditure amounting to BD nil (2011: BD 708,851) 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.

### *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 2012, the Company has term deposits with a commercial bank in the Kingdom of Bahrain and a term loan.

The term deposits and their effective interest rate at 31 December 2012 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 term loan and its effective interest rate at 31 December 2012 are disclosed in note 21. A 100 basis point change in the interest rates on the outstanding borrowings will increase the financial charges by BD136,754 (2011: BD 124,166).

### 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 29% of outstanding trade receivables at 31 December 2012 (2011: 24%).

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

# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 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.

	<i>Less than 3 months BD</i>	<i>3 to 12 months BD</i>	<i>1 to 5 years BD</i>	<i>&gt; 5 years BD</i>	<i>Total BD</i>
<b>31 December 2012</b>					
Trade and other payables	1,656,075	1,633,180	-	-	3,289,255
Borrowings	754,412	2,219,144	12,198,762	-	15,172,318
<b>Total</b>	<b>2,410,487</b>	<b>3,852,324</b>	<b>12,198,762</b>	<b>-</b>	<b>18,461,573</b>
<b>31 December 2011</b>					
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
<b>Total</b>	<b>1,161,921</b>	<b>3,466,109</b>	<b>9,213,341</b>	<b>4,030,837</b>	<b>17,872,208</b>

#### 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 States 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.

At 31 December 2012

**30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Equity price risk (continued)**

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 71% of the total investments as of 31 December 2012 (2011: 69%). 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.

	<i>Change in equity price 2012 BD</i>	<i>Effect on equity 2012 BD</i>	<i>Effect on profit 2012 BD</i>	<i>Change in equity price 2011 BD</i>	<i>Effect on equity 2011 BD</i>	<i>Effect on profit 2011 BD</i>
<i>Available-for-sale investments</i>						
Quoted	+20%	340,255	-	+20%	317,943	-
<i>Held-for-trading</i>						
Quoted	+20%	-	67,972	+20%	-	140,303

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, then 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 shareholders 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 2012 and 31 December 2011.

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.

National Hotels Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Capital management (continued)**

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
Interest-bearing loans and borrowings (note 21)	<b>13,675,395</b>	12,416,623
Trade and other payables (note 22)	<b>3,808,105</b>	4,480,936
Cash and cash equivalents (note 13)	<b>(1,000,987)</b>	(209,194)
Net debt	<b>16,482,513</b>	16,688,365
Total capital	<b>69,451,206</b>	68,248,648
<b>Capital and net debt</b>	<b>85,933,719</b>	84,937,013
<b>Gearing ratio</b>	<b>19%</b>	20%

**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 2012, the Company held the following financial instruments measured at fair value:

	<b>2012</b>	<b>2011</b>
	<b>BD</b>	<b>BD</b>
<i>Financial assets measured at fair value</i>		
Available-for-sale investments	<b>1,701,276</b>	1,589,717
Held-for-trading investments	<b>339,858</b>	341,618
<b>Total</b>	<b>2,041,134</b>	1,931,335

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

During the reporting periods ended 31 December 2012 and 31 December 2011, there were no transfers among the levels of fair value hierarchy.

## National Hotels Company B.S.C.

### NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

#### 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.
Office Towers	-	Office rental from two commercial towers.
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.

	<i>Hotel business and corporate</i>				<i>Office towers</i>				<i>Investments</i>				<i>Total</i>			
	2012		2011		2012		2011		2012		2011		2012		2011	
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	
Gross operating revenue	7,086,236	5,967,308	-	-	-	-	-	-	-	-	-	-	-	7,086,236	5,967,308	
Gross operating costs	(3,976,322)	(3,443,347)	-	-	-	-	-	-	-	-	-	-	-	(3,976,322)	(3,443,347)	
Gross operating profit	3,109,914	2,523,961	-	-	-	-	-	-	-	-	-	-	-	3,109,914	2,523,961	
Investment income (net)	-	-	-	-	-	-	1,357,179	1,323,519	1,357,179	1,323,519	-	-	-	1,357,179	1,323,519	
Income from office towers	-	-	8,033	-	-	-	-	-	-	-	-	-	-	8,033	-	
Other income	279,128	275,936	-	-	-	-	-	-	-	-	-	-	-	279,128	275,936	
Depreciation	(1,150,791)	(1,140,882)	(553,460)	-	-	-	-	-	-	-	-	-	-	(1,704,251)	(1,140,882)	
Expenses	(578,124)	(529,102)	(77,377)	-	-	-	-	-	-	-	-	(3,735)	-	(655,501)	(532,837)	
Financial Charges	(611)	-	(355,779)	-	-	-	-	-	-	-	-	-	-	(356,390)	-	
Net profit for the year	1,659,516	1,129,913	(978,583)	-	-	1,357,179	-	1,319,784	1,357,179	1,319,784	-	-	-	2,038,112	2,449,697	
Total assets	45,899,228	74,532,204	27,823,455	-	-	13,440,097	-	10,786,021	13,440,097	10,786,021	-	-	-	87,162,780	85,318,225	
Total liabilities	2,077,088	17,069,577	15,634,486	-	-	-	-	-	-	-	-	-	-	17,711,574	17,069,577	
Capital expenditure	695,761	6,426,420	-	-	-	-	-	-	-	-	-	-	-	695,761	6,426,420	

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



# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 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:

<i>Names</i>	<i>Nationality</i>	<i>%</i>	<i>No. of shares</i>
Social Insurance Organization	Bahraini	32.15%	32,149,639
Kuwait Investment Company	Kuwaiti	20.94%	20,943,587
Kuwait Investment Authority	Kuwaiti	32.84%	32,840,970

- b) Distribution of share capital is as follows:

<i>Category</i>	<i>No. of shares</i>	<i>No. of shareholder(s)</i>	<i>Percentage of total outstanding Shares</i>
Less than 1%	6,811,978	4,103	6.81%
1% up to less than 5%	6,278,536	4	6.28%
5% up to less than 10%	-	-	-
10% up to less than 20 %	-	-	-
20% up to less than 50%	85,934,196	3	85.93%
	<u>99,024,710</u>	<u>4,110</u>	<u>99.02%</u>
Treasury shares	975,290	-	0.98%
	<u>100,000,000</u>	<u>4,110</u>	<u>100%</u>

#### 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 2011: 176,764) shares in the Company as at 31 December 2012 representing 0.18% (31 December 2011: 0.18%) holding in the Company.

**National Hotels Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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At 31 December 2012

**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 out 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 2012.

**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 Code of Conduct and whistleblower procedures policy to monitor and ensure 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.

National Hotels Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**34 CORPORATE GOVERNANCE DISCLOSURES (continued)**

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

The Board of Directors consist of 7 members as of 31 December 2012.

The Board has been elected on 28 March 2012 for a period of 3 years.

The following table summarises the information about the profession and business title of the current Board members;

	<b>Name of Board Member</b>	<b>Profession</b>	<b>Business Title</b>	<b>Executive/ non executive independent/ non independent</b>
1	Mr. Faisal Ahmed Al Zayani	Businessman	Chairman	Executive / Independent
2	Mr. Ayad Abdulla Ahmed Al Sumait	Representing Kuwait Investment Company	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
5	Mr. Mohammed Ali Talib	Representing Social Insurance Organization	Director	Non Executive / Non-independent
6	Mr. Hashem S. Al-Saif	Representing Kuwait Investment Authority	Director	Non Executive / Non-independent
7	Mr. Sulaiman Ghloom	Representing Kuwait Investment Authority	Director	Non Executive / Non-independent

The following board member had directorship of other boards:

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

# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 34 CORPORATE GOVERNANCE DISCLOSURES (continued)

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

The Company should hold a minimum of four Board meetings during each year. During the year ended 31 December 2012, 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	19-Feb-12	28-Mar-12	11-Apr-12	12-Jul-12	15-Oct-12	6-Dec-12
Mr. Faisal Ahmed Al Zayani	✓	✓	✓	×	✓	✓
Mr. Yousef Dekheel Al Dekheel	✓	✓	Replaced			
Mr. Abdul Latif Ahmed Al Zayani	✓	✓	✓	✓	✓	✓
Mr. Mishari Zaid Al Khalid	✓	✓	✓	✓	✓	✓
Mr. Mohammed Ali Talib	✓	✓	✓	✓	✓	✓
Mr. Nabil Abdulla Al Khalaf Al Saeed	✓	✓	Replaced			
Mr. Ayad Abdulla Ahmed Al Sumait	✓	✓	✓	✓	✓	×
Mr. Hashem S. Al Saif		✓	✓	✓	✓	✓
Mr. Sulaiman Ghloom Abdullah		✓	✓	✓	✓	✓

#### 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 /	Attendance	Basic	Total fee
		meeting	fee	fees	
		2012 BD	2012 BD	2012 BD	2012 BD
Mr. Faisal Ahmed Al Zayani	5	400	2,000	22,000	24,000
Mr. Yousef Dekheel Al Dekheel	2	400	800	-	800
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	6	400	2,400	20,000	22,400
Mr. Nabil Abdulla Al Khalaf Al Saeed	2	400	800	-	800
Mr. Ayad Abdulla Ahmed Al Sumait	5	400	2,000	22,000	24,000
Mr. Hashem S. Al Saif	5	400	2,000	20,000	22,000
Mr. Sulaiman Ghloom Abdullah	5	400	2,000	20,000	22,000
					<b>160,800</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

**34 CORPORATE GOVERNANCE DISCLOSURES (continued)****(i) Board, Board Members and Management (continued)**

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

	<i>Name of Executive Member</i>	<i>Designation</i>	<i>Profession</i>	<i>Business title</i>	<i>Experience in years</i>
1	Mr. Abdul Rahman A. Morshed	Chief Executive Officer	Administration	CEO	31
2	Mr. Panos Panagis	General Manager	Administration	GM	13
3	Mr. Ramesh Shankar	Group Chief Accountant	Finance	GCA	13
4	Mr. Kim Bhagat	Financial Controller	Finance	FC	25
5	Mr. Salim Thakkur	Director of Engineering	Engineering	DOE	18
6	Mr. Michael Kuhn	Director of Sales and Marketing	Sales	DOSM	9
7	Ms. Aurora Xica Dos Santos	Human Resource Manager	Human Recourses	HRM	6
8	Mr. Anthony Stuart Johnson	Security Manager	Security	SM	8
9	Mr. K.P.Chandran	Executive-House Keeping	House Keeping	EHK	9
10	Mr. Mohammed Al Shaikha	Front Office Manager	Administration	FOM	6
11	Ms. Monica Van Vuuren	Revenue Manager	Administration	RM	5
12	Mr. Francesco Agus	Director, Food & Beverage	Food & Beverage	DF&B	7

The following table summarises the remuneration paid to the executive management:

	<b>2012</b>
	<b>BD</b>
Salaries and wages	<b>316,758</b>
Employees' end of service benefits	<b>38,177</b>
Bonuses	<b>63,278</b>
Total	<b>418,213</b>

National Hotels Company B.S.C.  
**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**34 CORPORATE GOVERNANCE DISCLOSURES (continued)**

**(ii) Committees**

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

<b>Board Committee</b>	<b>Objective</b>	<b>Members</b>	<b>Executive/ non executive independent/ non independent</b>
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 the Company's operations, finance, investments and risk management matters.	Mr. Abdul Latif Ahmed Al Zayani  Mr. Ayad Abdulla Ahmed Al Sumait  Mr. Hashem S. Al Saif	Non-executive / Non-independent  Executive / Non-independent  Non-executive / Non-independent
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, consultants or experts as it considers necessary from time to time in the performance of its duties.	Mr. Mishari Zaid Al Khalid  Mr. Mohammed Ali Talib  Mr. Sulaiman Ghloom Abdullah	Non-executive / Non-independent  Non-executive / Non-independent  Non-executive / Non-independent

# National Hotels Company B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 34 CORPORATE GOVERNANCE DISCLOSURES (continued)

#### (ii) Committees (continued)

The Company should hold a minimum of two Executive and Audit committee meetings during each year. During the year ended 31 December 2012, four Executive and five Audit committee meetings were held. The following table summarises the information about committee meeting dates and attendance of directors at each meeting;

#### Executive Committee

Members	10-Apr-12	11-Jul-12	14-Oct-12	5-Dec-12
Mr. Abdul Latif Ahmed Al Zayani	✓	✓	✓	✓
Mr. Ayad Abdulla Ahmed Al Sumait	✓	✓	✓	X
Mr. Hashem S. Al Saif	✓	✓	✓	✓

#### Audit Committee

Members	10-Apr-12	2-May-12	11-Jul-12	14-Oct-12	5-Dec-12
Mr. Mishari Zaid Al Khalid	✓	✓	✓	✓	✓
Mr. Mohammed Ali Talib	✓	✓	✓	✓	✓
Mr. Sulaiman Ghloom Abdullah	✓	✓	✓	✓	✓

The following table summarises the remuneration for each committee member:

Member	Remuneration
	2012 BD
Mr. Abdul Latif Ahmed Al Zayani	1,600
Mr. Ayad Abdulla Ahmed Al Sumait	1,200
Mr. Hashem S. Al Saif	1,600
Mr. Mishari Zaid Al Khalid	2,000
Mr. Mohammed Ali Talib	2,000
Mr. Sulaiman Ghloom Abdullah	2,000
	10,400

#### (iii) Corporate Governance

##### *Changes to the Company's corporate governance code and guidelines*

In 2012, 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 2012, 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.

**National Hotels Company B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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At 31 December 2012

**34 CORPORATE GOVERNANCE DISCLOSURES (continued)**

**(iii) Corporate Governance (continued)**

*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.

*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.