شركة الفنادق الوطنية (ش.م.ب)

NATIONAL HOTELS COMPANY (B.S.C)

Annual Report 2013




Contents

His Majesty
King Hamad bin Isa Al Khalifa
King of Bahrain

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

His Royal Highness
Prince Salman bin Hamad Al Khalifa
The Crown Prince and Deputy
Supreme Commander
First Deputy of Prime Minister

Board of Directors

Mr. Faisal Ahmed Al Zayani
Chairman

Mr. Ayad Abdulla Ahmed Al Sumait
Vice Chairman & M.D

Mr. Mishari Z.H. Al Khalid
Director
Chairman, Audit Committee

Mr. Abdul Latif Ahmed Al Zayani
Director
Chairman, Executive Committee

Mr. Hashem S.S. Al Saif
Director

Mr. Sulaiman Ghloum Al Rasoul
Director

Mr.Abdulaziz Abdulla Alisa
Director

Mr. A. Rahman A. Morshed
Chief Executive Officer

Board of Directors Report 2013

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 2013.

The 2013 financial result has proven, without a shadow of a doubt, the gradual recovery of the Bahrain Market in general and Tourism and Hotel sectors in particular. The below high lights comparison to last year is a clear proof of this fact.

The year's result can be summarized as follows:

- Occupancy percentage increased to 46% compared to 41% last year.
- Total company revenue increased by 15% compared to last year.
- Net Profit for the year increased by 25% compared to last year.
- Earnings per share increased to 26 fils compared to 21 fils last year.

Dear Shareholders,

On the Office Building front, the signing of the Lease Agreement with the Social Insurance Organisation has given a significant boost to the building occupancy raising it to 35%.

On the other hand, the Company has made serious efforts in ensuring the full compliance with the regulations of the Corporate Governance and a detailed report on this subject is indeed included in the 2013 Annual Report.

Dear Shareholders,
Your Board, having discussed and approved the final audited figures for the year 2013, submit the following recommendations for endorsement by the Ordinary General Assembly with regard to the year 2013 profit:

1) to declare and pay cash dividend to the Shareholders @ 10% of Share Capital i.e. BD990,247/-, 10 fils per share.
2) to declare and pay bonus shares at 5% i.e. 1 Share to every 20 shares held. amounting to BD500,000/-
3) to approve BD172,000/- for Directors' remuneration already charged and an expense in the Income Statement.
4) to apprive 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 BD1,550,210/- to the Retained Earnings Account.

Finally, I would like to express personally and on behalf of my members of the Board and the Shareholders, my thanks and appreciation to His Majesty The King, Shaikh Hamad bin Isa Al Khalifa, His Royal Highness The Prime Minister, Prince Khalifa bin Salman Al Khalifa, and His Royal Highness The Crown Prince and Commander-in-Chief of the Bahrain Defence Force, Prince Salman bin Hamad Al Khalifa for their support and assistance to the Company. I would also like to thank all the officials at Government Ministries, Organisations and esteemed customers for their continuous backing to us. Special tribute must be paid to all the Company's employees led by the 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
11.02.2014

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 2013, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows 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 at 31 December 2013, and its financial performance and 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 2013 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 management in response to all our requests.

Ernst + Young

11 February 2014
Manama, Kingdom of Bahrain

Statement of Financial Position
Year Ended 31 December 2013

	Note	2013 BD	2012 BD
ASSETS			
Non-current assets			
Property, plant and equipment	7	**78,315,547**	72,968,905
Investment in an associate	8	**5,753,702**	5,289,027
Available-for-sale investments	9	**2,569,871**	2,012,076
Total non-current assets		**86,639,120**	80,270,008
Current assets			
Inventories	10	**62,697**	56,892
Held-for-trading investments	11	**48,766**	397,412
Trade and other receivables	12	**617,007**	696,886
Bank balances and cash	13	**5,892,366**	5,741,582
Total current assets		**6,620,836**	6,892,772
TOTAL ASSETS		**93,259,956**	87,162,780
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**10,000,000**	10,000,000
Treasury shares	15	**(94,726)**	(94,726)
Statutory reserve	16	**5,000,000**	5,000,000
General reserve	17	**2,715,079**	3,215,079
Revaluation reserve	18	**35,604,343**	27,382,813
Available-for-sale investments reserve		**2,017,287**	1,397,172
Retained earnings		**23,110,831**	21,560,621
Proposed dividend	19	**1,490,247**	990,247
Total equity		**79,843,061**	69,451,206
Non-current liabilities			
Employees' end of service benefits	20	**284,465**	228,074
Term loan	21	**8,161,994**	10,648,429
Total non-current liabilities		**8,446,459**	10,876,503
Current liabilities			
Trade and other payables	22	**1,943,470**	3,808,105
Current portion of term loan	21	**3,026,966**	3,026,966
Total current liabilities		**4,970,436**	6,835,071
Total liabilities		**13,416,895**	17,711,574
TOTAL EQUITY AND LIABILITIES		**93,259,956**	87,162,780

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 statments

Statement Of Income
Year Ended 31 December 2013

	Note	2013 BD	2012 BD
Gross operating revenue	23	**8,427,469**	7,094,269
Gross operating costs	24	**(4,500,082)**	(4,053,699)
GROSS OPERATING PROFIT		**3,927,387**	3,040,570
Net investment income:			
Share of profit from an associate	8	**1,099,355**	1,120,297
Dividend income		**148,042**	145,766
Interest on term deposits		**83,731**	88,148
Profit on disposal of held-for-trading investments	11	**25,584**	-
Net changes in cumulative fair value of held-for-trading investments		**(358)**	2,968
		1,356,354	1,357,179
Miscellaneous income	25	**265,261**	279,128
Depreciation	7	**(1,931,603)**	(1,704,251)
General and administration expenses		**(615,519)**	(578,124)
Financial charges		**(461,423)**	(356,390)
PROFIT FOR THE YEAR		**2,540,457**	2,038,112
Basic and diluted earnings per share (in fils)	27	**26**	21
Dividend per share (in fils)	19 (b)	**10**	10
Bonus shares for each 100 shares outstanding	19 (a)	**5**	-

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 statments

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2013

	Note	2013 BD	2012 BD
Profit for the year		**2,540,457**	2,038,112
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement in fair values of available for sale investments during the year	9	**557,795**	111,559
Share in associate's cumulative changes in fair values	8	**62,320**	43,134
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**620,115**	154,693
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of freehold land	7	**8,221,530**	-
Other comprehensive income for the year		**8,841,645**	154,693
Total comprehensive income for the year		**11,382,102**	2,192,805

The attached notes 1 to 35 form part of these financial statments

STATEMENT OF CASH FLOWS
Year Ended 31 December 2013

	Note	2013 BD	2012 BD
OPERATING ACTIVITIES			
Profit for the year		**2,540,457**	2,038,112
Adjustments for:			
Depreciation	7	**1,931,603**	1,704,251
Share of profit from an associate	8	**(1,099,355)**	(1,120,297)
Provision for doubtful receivables	12	**35,980**	5,517
Provision for employees' end of service benefits	20	**68,610**	67,957
Write-off of property, plant and equipment	7	**1,120,398**	60
Profit on disposal of held-for-trading investments	11	**(25,584)**	-
Net change in the fair value of held-for-trading investments		**358**	(2,968)
Dividend income		**(148,042)**	(145,766)
Interest on term deposits		**(83,731)**	(88,148)
Operating profit before working capital changes		**4,340,694**	2,458,718
Working capital changes:			
Inventories		**(5,805)**	(10,666)
Trade and other receivables		**43,899**	(193,880)
Trade and other payables		**(34,059)**	465,589
		4,344,729	2,719,761
Directors' remuneration paid	28	**(144,000)**	(144,000)
Employees' end of service benefits paid	20	**(12,219)**	(11,901)
Charitable contributions paid	22	**(68,000)**	(64,000)
Net cash flows from operating activities		**4,120,510**	2,499,860
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,800,616)**	(1,630,457)
Dividends received from an associate	8	**697,000**	540,000
Other dividends received		**148,042**	145,766
Interest received		**83,731**	88,148
Proceeds from disposal of held-for-trading investments	11	**389,074**	-
Purchase of held-for-trading investments		**(15,202)**	-
Term deposits with maturities of more than 3 months (net)		**4,525,445**	(1,120,049)
Net cash flows from (used in) investing activities		**4,027,474**	(1,976,592)
FINANCING ACTIVITIES			
Dividends paid	19 (a)	**(990,247)**	(990,247)
Proceeds from term loan		**-**	4,716,234
Repayment of term loan		**(2,486,435)**	(3,457,462)
Net cash flows (used in) from financing activities		**(3,476,682)**	268,525
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,671,302**	791,793
Cash and cash equivalents at 1 January		**1,000,987**	209,194
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**5,672,289**	1,000,987

Non-cash items:

(i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 252,498 (2012: BD 1,876,001) were not settled as of the date of statement of financial position. During the year, BD 1,717,814 (2012: BD 1,418,511) was paid in cash relating to previous year purchase of property, plant and equipment.

(ii) Unclaimed dividends pertaining to prior years amounting to BD 220,077 (2012: BD 215,150) has been excluded from the movement of trade and other payables.

The attached notes 1 to 35 form part of these financial statments

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2013

	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 2013		10,000,000	(94,726)	5,000,000	3,215,079	27,382,813	1,397,172	21,560,621	990,247	69,451,206
Profit for the year		-	-	-	-	-		2,540,457	-	2,540,457
Other comprehensive income		-	-	-	-	8,221,530	620,115	-	-	8,841,645
Total comprehensive income		-	-	-	-	8,221,530	620,115	2,540,457		11,382,102
Dividend paid - 2012		-	-	-	-	-	-	-	(990,247)	(990,247)
Proposed dividend - 2013		-	-	-	-	-	-	(990,247)	990,247	-
Proposed bonus shares	19	-	-	-	(500,000)	-	-	-	500,000	-
Balance at 31 December 2013		**10,000,000**	**(94,726)**	**5,000,000**	**2,715,079**	**35,604,343**	**2,017,287**	**23,110,831**	**1,490,247**	**79,843,061**
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	19 (a)	-	-	-	-	-	-	-	(990,247)	(990,247)
Proposed dividend - 2012	19 (a)	-	-	-	-	-	-	(990,247)	990,247	-
Transfer to statutory reserve	16	-	-	180,784	-	-	-	(180,784)	-	-
Balance at 31 December 2012		10,000,000	(94,726)	5,000,000	3,215,079	27,382,813	1,397,172	21,560,621	990,247	69,451,206

The attached notes 1 to 35 form part of these financial statments

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

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.

Associate

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2012: 33.33%).

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 11 February 2014.

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

New and amended standards and interpretations

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 2013:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1;
- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- IFRS 13 Fair Value Measurement.

The above amendments have had no impact on the Company's financial position and performance and all required disclosures have been disclosed in this financial statements with respect to IAS 1, IFRS 12 and 13. Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Company.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is presented as current when it is:

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or
b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measure ment is directly or indirectly observable; and
c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measure ment is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 profit or loss 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 profit or loss in the year the asset is derecognised.

Investment in an associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investment in its associate is accounted for using the equity method.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of this investee is presented as part of the Company's OCI. 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 aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss for the year and non controlling interests 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 there is such evidence, 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 profit or loss.

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 retained 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 instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 profit or loss.

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 profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Bad debts are written off when identified.

This category generally applies to trade and other receivables. For more information on receivables, refer to note 12.

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 profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of profit or loss.

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 profit or loss in finance costs and removed from the available-for-sale investments reserve.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
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.

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 profit or loss.

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 profit or loss. 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 profit or loss;
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 are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 term loan.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 profit or loss 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.

This category generally applies to interest-bearing term loan. For more information refer note 21.

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
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

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 profit or loss 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 salaries and length of service. 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.

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. The Company assesses its revenue against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from service
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
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. Interest income is included in the statement of profit or loss.

Dividend income
Dividend income is recognised when t
e 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.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 profit or loss.

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 profit or loss as part of the net change in the value of held-for-trading investments.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 accompanying disclosures, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)
At the statement of financial position date, gross trade accounts receivable were BD 545,299 (2012: BD 604,510) and the provision for doubtful receivables was BD 52,892 (2012: BD 17,362). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss.

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 47,616 (2012: BD 44,600) and general stores BD 15,081 (2012: BD 12,292), and there was no allowance for old and obsolete inventories (2012: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

Revaluation 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 engaged three independent valuation specialists to assess the fair value as at 31 December 2013 for 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.

Impairment of property, plant and equipment
The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. During the year ended 31 December 2013, management recognised no impairment (2012: nil) on its property, plant and equipment (note 7).

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of the issuance of 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 (where applicable) when they become effective:

IFRS 9 Financial Instruments: Classification and Measurement
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. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company’s financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

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.

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 2013	27,950,120	54,165,284	686,297	4,121,256	8,347,126	126,000	95,396,083
Revaluation	8,221,530	-	-	-	-	-	8,221,530
Additions		9,480	8,242	1,500	67,977	89,914	177,113
Write-offs	-	(1,119,795)	(11,862)	(698)	(5,787)	-	(1,138,142)
At 31 December 2013	36,171,650	53,054,969	682,677	4,122,058	8,409,316	215,914	102,656,584
Depreciation:							
At I January 2013	-	14,138,930	629,447	3,554,345	4,104,456	-	22,427,178
Charge for the year	-	1,341,369	21,616	123,070	445,548	-	1,931,603
Relating to write-offs	-	-	(11,862)	(674)	(5,208)	-	(17,744)
At 31 December 2013	-	15,480,299	639,201	3,676,741	4,544,796	-	24,341,037
Net carrying amounts:							
At 31 December 2013	**36,171,650**	**37,574,670**	**43,476**	**445,317**	**3,864,520**	**215,914**	**78,315,547**

	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 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

a) Freehold land was revalued on 31 December 2013 by three independent property valuers. The average of the three revaluation estimates 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 increased from BD 27,950,120 as of 31 December 2010 to BD 36,171,650 as of 31 December 2013 and hence a revaluation surplus of BD 8,221,530 has been credited to the asset revaluation reserve in equity (note 18). The previous revaluation was conducted for the year ended 31 December 2010.

b) The carrying amount of freehold land, if carried at cost, would be BD 567,307 (2012: BD 567,307).

8 INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2012: 33.33%) interest in African & Eastern (Bahrain) W.L.L., which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. African & Eastern (Bahrain) W.L.L. is a private entity that is not listed on any public exchange. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in the financial statements.

The movements during the year are as follows:

	2013 **BD**	2012 BD
At 1 January	**5,289,027**	4,665,596
Share of profit during the year	**1,099,355**	1,120,297
Dividends received during the year	**(697,000)**	(540,000)
Share in associate's cumulative changes in fair values	**62,320**	43,134
At 31 December	**5,753,702**	5,289,027

The following table illustrates the summarised financial information of the Company's investment in African & Eastern (Bahrain) W.L.L.:

	2013 **BD**	2012 BD
Current assets	**5,094,998**	4,511,892
Non-current assets	**12,783,389**	11,803,890
Current liabilities	**(1,232,965)**	(1,075,951)
Non-current liabilities	**(138,643)**	(127,218)
Equity	**16,506,779**	15,112,613
Proportion of the Company's ownership	**33.33%**	33.33%
Share of the associate's net assets	**5,501,709**	5,037,034
Goodwill on investment	**251,993**	251,993
Carrying amount of the investment	**5,753,702**	5,289,027

	2013 **BD**	2012 BD
Revenue	**11,702,380**	11,439,823
Cost of sales	**(7,071,935)**	(6,875,576)
Other income	**430,732**	110,572
Administrative expenses	**(1,625,687)**	(1,313,593)
Impairment on available-for-sale investments	**(137,094)**	-
Profit for the year	**3,298,396**	3,361,226
Company›s share of profit for the year	**1,099,355**	1,120,297

The associate had no contingent liabilities or capital commitments as at 31 December 2013 or 2012.

9 AVAILABLE-FOR-SALE INVESTMENTS

	2013 **BD**	2012 BD
Equity investments:		
Quoted investments	**2,259,071**	1,701,276
Unquoted investments (at cost) *	**310,800**	310,800
	2,569,871	2,012,076

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

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

9 AVAILABLE-FOR-SALE INVESTMENTS (continued)

The movement in the quoted available-for-sale investments is as follows:

	2013 BD	2012 BD
Opening balance	**1,701,276**	1,589,717
Unrealised gain on available for sale investments	**557,795**	111,559
	2,259,071	1,701,276

10 INVENTORIES

	2013 BD	2011 BD
Food and beverages	**47,616**	44,600
General stores	**15,081**	12,292
	62,697	56,892

The amount of inventory recognised as expenditure in gross operating costs during the year amounted to BD 798,699 (2012: BD 674,209)

11 HELD-FOR-TRADING INVESTMENTS

	2013 BD	2012 BD
Managed portfolios	**-**	363,490
Quoted equities	**48,766**	33,922
	48,766	397,412

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

Quoted equities	**-**	339,858
Cash with managers	**-**	23,632
	-	363,490

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

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

	2013 BD	2012 BD
Proceeds from disposal of held-for-trading investments	**389,074**	-
Less: cost of disposed held-for-trading investments	**(363,490)**	-
Profit on disposal of held-for-trading investments	**25,584**	-

12 TRADE AND OTHER RECEIVABLES

	2013 BD	2012 BD
Trade receivables	**545,299**	604,510
Less: Provision for doubtful receivables	**(52,892)**	(17,362)
	492,407	587,148
Prepaid expenses	**92,448**	86,242
Amounts due from a related party (note 28)	**12,576**	12,236
Other receivables	**19,576**	11,260
	617,007	696,886

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.

12 TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2013, trade receivables with a nominal value of BD 52,892 (2012: BD 17,362) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2013	2012
	BD	BD
At 1 January	**17,362**	11,845
Charge for the year	**35,980**	5,517
Provision written back	**(450)**	-
At 31 December	**52,892**	17,362

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
2013	**492,407**	**434,949**	**43,163**	**11,736**	**2,559**	**-**
2012	587,148	481,419	85,604	16,108	4,017	-

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:

	2013	2012
	BD	BD
Cash on hand	**7,552**	7,667
Cash at banks	**1,786,937**	1,208,470
Term deposits	**4,097,877**	4,525,445
Bank balances and cash	**5,892,366**	5,741,582
Term deposits with an original maturities of more than three months	**-**	(4,525,445)
Restricted cash	**(220,077)**	(215,150)
Cash and cash equivalents as per the statement of cash flows	**5,672,289**	1,000,987

Bank balances amounting to BD 220,077 (2012: BD 215,150) representing unclaimed dividends which 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 1.8% (2012: 2.3%). These term deposits have original maturities ranging from one month to three months (2012: one month to six months).

14 SHARE CAPITAL

The authorised, issued and paid-up share capital consists of 100,000,000 shares of BD 0.100 each (2012: 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 2013, the Company had purchased 975,290 shares (2012: 975,290 shares) with a market value of BD 360,857. These shares represent 0.97% of the total outstanding shares as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

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. No such transfer was made during the year (2012: BD 180,784) 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 2013. As a result, a surplus of BD 8,221,530 has been credited to the asset revaluation reserve during the year [note 7] (2012: nil).

19 DIVIDENDS
a) Proposed and paid dividends

During 2013, dividends of 10 fils per share, relating to 2012 totaling BD 990,247 were declared and paid (2012: 10 fils per share, relating to 2011 totaling BD 990,247).
The Board of Directors on 11 February 2014 has proposed a cash dividend of 10 fils per share totalling BD 990,247 (2012: 10 fils per share totalling BD 990,247) from the retained earning and issuance of bonus shares from the general reserve at 5 bonus shares for each 100 shares held totalling to 5,000,000 bonus shares (2012: nil) with a nominal value of BD 500,000 (2012: nil). These appropriations are subject to the approval of the shareholders at the Annual General Meeting and other regulatory bodies.

b) Cash 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

	2013 **BD**	2012 BD
Dividend for the year in BD	**990,247**	990,247
Number of eligible shares at the year-end	**99,024,710**	99,024,710
Dividend per share–fils	**10**	10

20 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the liability recognised in the statement of financial position in respect of employees' end of service benefits are as follows:

	2013 **BD**	2012 BD
Provision as at 1 January	**228,074**	172,018
Provided during the year	**68,610**	67,957
End of service benefits paid	**(12,219)**	(11,901)
Provision as at 31 December	**284,465**	228,074

21 TERM LOAN

	2013 **BD**	2012 BD
Current liability	**3,026,966**	3,026,966
Non-current liability	**8,161,994**	10,648,429
Total term loan	**11,188,960**	13,675,395

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 construction. 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 2013 was 3.7% (31 December 2012: 3.8%). The term loan is secured by a mortgage over the freehold land, improvements to buildings and buildings.

22 TRADE AND OTHER PAYABLES

	2013 BD	2012 BD
Trade payables	**174,938**	271,134
Retentions payable	**146,312**	1,379,298
Construction contractors payable	**132,996**	496,703
Accrued expenses	**569,415**	551,563
Advances from customers	**176,710**	329,915
Amounts due to related parties (note 28)	**216,744**	222,410
Provision for charitable contributions	**139,350**	157,350
Other payables	**202,532**	253,882
Provision for defective items	**70,000**	-
Deferred income	**23,591**	31,585
Interest payables	**90,882**	114,265
	1,943,470	3,808,105

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:

	2013 BD	2012 BD
Provision as at 1 January	**157,350**	171,350
Amount provided during the year	**50,000**	50,000
Charitable contributions paid	**(68,000)**	(64,000)
Provision as at 31 December	**139,350**	157,350

23 GROSS OPERATING REVENUE

	2013 BD	2012 BD
Rooms	**3,272,054**	2,941,681
Food and beverages	**2,713,415**	2,287,905
Serviced apartments	**1,657,083**	1,427,216
Income from office towers	**310,108**	8,033
Other departments	**474,809**	429,434
	8,427,469	7,094,269

24 GROSS OPERATING COSTS

	2013 BD	2012 BD
Room related expenses	**501,981**	516,038
Food and beverages	**1,527,592**	1,342,218
Serviced apartments related expenses	**327,582**	310,573
Expenses related to office towers	**158,643**	77,377
Other operating departments	**1,984,284**	1,807,493
	4,500,082	4,053,699

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

	2013 BD	2012 BD
Payroll and related expenses (note 26)	**1,885,439**	1,755,667
Consumption of inventories	**798,699**	674,209
Management fees (note 28)	**290,137**	241,474
Repairs and maintenance	**253,159**	203,528
Utilities, insurance and taxes	**281,384**	270,605
Others	**832,621**	830,839
	4,341,439	3,976,322

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

25 MISCELLANEOUS INCOME

	2013 BD	2012 BD
Rental income	**240,000**	240,000
Rezidor sponsorship fee (note 28)	**16,768**	16,456
Other	**8,493**	22,672
	265,261	279,128

26 STAFF COSTS

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

	2013 BD	2012 BD
Salaries and wages	**1,246,925**	1,171,131
Employees end of service benefits (note 20)	**68,610**	67,957
Contributions to the Social Insurance Organisation scheme:		
- Bahrainis	**70,602**	68,701
- Non-Bahrainis	**25,358**	20,722
Other staff expenses and benefits	**748,909**	704,732
	2,160,404	2,033,243

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

	2013	2012
Gross operating costs	**1,885,439**	1,755,667
General and administration expenses	**274,965**	277,576
	2,160,404	2,033,243

27 BASIC AND DILUTED EARNINGS PER SHARE

	2013	2012
Profit for the year - BD	**2,540,457**	2,038,112
Weighted average shares in issue (net of treasury shares)	**99,024,710**	99,024,710
Basic and diluted earnings per share - fils	**26**	21

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

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 profit or loss are as follows :

	2013				2012			
	Purchases BD	**Fees for management services**	**Other expenses**	**Revenue and other income**	Purchases	Fees for management services	Other expenses	Revenue and other income
Associated company	**87,606**	**-**	**-**	**235**	87,446	-	-	266
Rezidor	**-**	**290,137**	**13,031**	**16,768**	-	241,474	2,510	16,456
Directors	**-**	**-**	**201,066**	**27,626**	-	-	238,720	9,613
	87,606	**290,137**	**214,097**	**44,629**	87,446	241,474	241,230	26,335

28 RELATED PARTY TRANSACTIONS AND BALANCES. (continued)

Balances with related parties included in the statement of financial position (note 12 and 22) are as follows:

	2013		2012	
	Receivables BD	**Payables BD**	Receivables BD	Payables BD
Associated company	**-**	**12,901**	-	29,588
Rezidor	**12,576**	**203,843**	12,236	192,822
	12,576	**216,744**	12,236	222,410

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 2013 amounted to BD 172,000 (2012: 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:

	2013	2012
	BD	BD
Short-term benefits	**158,431**	151,332
Employee's end of service benefits	**14,704**	25,252
	173,135	176,584

29 COMMITMENTS

The directors have authorised future capital expenditure of BD 2,215,000 (2012: BD nil) as of the statement of financial position date relating to the refurbishment of the ballroom and syndicate room

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 2013, the Company has term deposits with a commercial bank in the Kingdom of Bahrain and a term loan.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 December 2013

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)
The term deposits and their effective interest rate at 31 December 2013 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 Company is exposed to interest rate risk on its term loan. The term loan and its effective interest rate at 31 December 2013 are disclosed in note 21. An increase in the interest rate on the outstanding term loan by 100 basis points with all other variables held constant, would have decreased the profit for the year by BD 111,890 (2012: BD 136,754). A decrease in interest rate by 100 basis points would have an equal and opposite effect on the profit for the year.

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 22% of outstanding trade receivables at 31 December 2013 (2012: 29%).

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 undiscounted 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 2013					
Trade and other payables	**1,219,975**	**348,844**	**-**	**-**	**1,568,819**
Term loan	**727,904**	**2,148,281**	**9,322,578**	**-**	**12,198,763**
Total	**1,947,879**	**2,497,125**	**9,322,578**	**-**	**13,767,582**

	Less than 3 months BD	3 to 12 months BD	1 to 5 years BD	> 5 years BD	Total BD
31 December 2012					
Trade and other payables	1,656,075	1,633,180	-	-	3,289,255
Term loan	754,412	2,219,144	12,198,762	-	15,172,318
Total	2,410,487	3,852,324	12,198,762	-	18,461,573

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 86% of the total investments as of 31 December 2013 (2012: 71%). 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 on equity and profit of the decreases in equity prices are expected to be equal and opposite to the effect of the increases shown.

	Change in equity price 2013 BD	**Effect on equity 2013 BD**	**Effect on profit 2013 BD**	Change in equity price 2012 BD	Effect on equity 2012 BD	Effect on profit 2012 BD
Available-for-sale investments						
Quoted	**+20%**	**451,814**	**-**	+20%	340,255	-
Held-for-trading						
Quoted	**+20%**	**-**	**9,753**	+20%	-	74,756

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 profit or loss 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

For the purpose of the Company's 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.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing term loan in the current period.

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.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

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.

	2013 BD	2012 BD
Interest-bearing term loan (note 21)	**11,188,960**	13,675,395
Trade and other payables (note 22)	**1,943,470**	3,808,105
Cash and cash equivalents (note 13)	**(5,672,289)**	(1,000,987)
Net debt	**7,460,141**	16,482,513
Total capital	**79,843,061**	69,451,206
Capital and net debt	**87,303,202**	85,933,719
Gearing ratio	**9%**	19%

31 FAIR VALUE MEASUREMENT

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 term loan.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as at 31 December 2013:

		Fair value measurement using			
31 December 2013	**Date of valuation**	**Qouted prices in active markets (Level 1) BD**	**Significant observable inputs (Level 2) BD**	**Significant unobservable inputs (Level 3) BD**	**Total BD**
Assets measured at fair value:					
Available-for-sale investments	31 December 2013	**2,259,071**	**-**	**-**	**2,259,071**
Held-for-trading investments	31 December 2013	**48,766**	**-**	**-**	**48,766**
Revalued freehold land	31 December 2013	**-**	**-**	**36,171,650**	**36,171,650**

During the years ended 31 December 2013 and 31 December 2012, there have been no transfers between Level 1, Level 2 and Level 3.

The management assessed that cash and bank balances, deposits, trade and receivables, current portion of term loan and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

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, held-for-trading investments, available-for-sale investments and term deposits.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

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 term loan.

	Hotel business and corporate		Office towers		Investments		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	BD	BD	**BD**	BD	**BD**	BD	**BD**	BD
Gross operating revenue	**8,117,361**	7,086,236	**310,108**	8,033	**-**	-	**8,427,469**	7,094,269
Gross operating costs	**(4,341,439)**	(3,976,322)	**(158,643)**	(77,377)	**-**	-	**(4,500,082)**	(4,053,699)
Gross operating profit	**3,775,922**	3,109,914	**151,465**	(69,344)	**-**	-	**3,927,387**	3,040,570
Investment income (net)	**-**	-	**-**	-	**1,356,354**	1,357,179	**1,356,354**	1,357,179
Other income	**265,261**	279,128	**-**	-	**-**	-	**265,261**	279,128
Depreciation	**(1,087,029)**	(1,150,791)	**(844,574)**	(553,460)	**-**	-	**(1,931,603)**	(1,704,251)
Expenses	**(615,519)**	(578,124)	**-**	-	**-**	-	**(615,519)**	(578,124)
Financial Charges	**(2,168)**	(611)	**(459,255)**	(355,779)	**-**	-	**(461,423)**	(356,390)
Profit (loss) for the year	**2,336,467**	1,659,516	**(1,152,364)**	(978,583)	**1,356,354**	1,357,179	**2,540,457**	2,038,112
Total assets	**52,234,277**	45,899,228	**26,760,974**	27,823,455	**14,264,705**	13,440,097	**93,259,956**	87,162,780
Total liabilities	**1,992,107**	2,077,088	**11,424,788**	15,634,486	**-**	-	**13,416,895**	17,711,574
Capital expenditure	**122,593**	695,761	**54,520**	-	**-**	-	**177,113**	695,761

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.

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:

Names	Nationality	%	No. of shares
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:

Category	**No. of shares**	**No. of shareholder(s)**	**Percentage of total outstanding Shares**
Less than 1%	6,594,707	4,078	6.59%
1% up to less than 5%	6,495,807	4	6.50%
5% up to less than 10%	-	-	-
10% up to less than 20 %	-	-	-
20% up to less than 50%	85,934,196	3	85.93%
	99,024,710	4,085	99.02%
Treasury shares	975,290	-	0.98%
	100,000,000	4,085	100%

33 SHAREHOLDERS' INFORMATION(continued)

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 2013 representing 0.18% (31 December 2012: 0.18%) holding in the Company.

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 2013 and 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 ensures 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 2013 and 31 December 2012.
The Board has been elected on 28 March 2012 for a period of 3 years.

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

The following table summarises the information about the profession and business title 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	Non 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. Abdulaziz Abdulla Alisa	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 menbers had directorships of other Board:

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 2013, five Board meetings were held. The following table summarises the information about Board of Directors meeting dates and attendance of directors at each meeting;

Remuneration policy

Members	20-Feb-13	18-Apr-13	14-Aug-13	24-Oct-13	5-Dec-13
Mr. Faisal Ahmed Al Zayani	✓	✓	✗	✓	✓
Mr. Abdul Latif Ahmed Al Zayani	✓	✓	✓	✓	✓
Mr. Mohammed Ali Talib	✓	Replaced			
Mr. Mishari Zaid Al Khalid	✓	✓	✓	✓	✓
Mr. Ayad Abdulla Ahmed Al Sumait	✓	✓	✗	✓	✓
Mr.Hashem S.Al Saif	✓	✓	✓	✗	✓
Mr.Sulaiman Ghloom Abdullah	✓	✓	✓	✓	✓
Mr. Abdulaziz Abdulla Alisa		✓	✓	✓	✓

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 2013 BD	Attendance fee 2013 BD	Basic fees 2013 BD	Total fee 2013 BD
Mr. Faisal Ahmed Al Zayani	4	750	2,300	26,000	**28,300**
Mr. Abdul Latif Ahmed Al Zayani	5	750	3,050	24,000	**27,050**
Mr. Mohammed Ali Talib	1	400	400	6,000	**6,400**
Mr. Mishari Zaid Al Khalid	5	750	3,050	24,000	**27,050**
Mr. Ayad Abdulla Ahmed Al Sumait	4	750	2,300	26,000	**28,300**
Mr. Hashem S.Al Saif	4	750	2,300	24,000	**26,300**
Mr.Sulaiman Ghloom Abdullah	5	750	3,050	24,000	**27,050**
Mr. Abdulaziz Abdulla Alisa	4	750	2,650	18,000	**20,650**
					191,100

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Year Ended 31 December 2013

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

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

With effect from 13 August 2013, fee per meeting was increased from BD 400 to BD 750.

Members	Meetings attended	Fee / meeting	Attendance fee	Basic fees	Total fee
		2012	2012	2012	2012
		BD	BD	BD	BD
Mr. Faisal Ahmed Al Zayani	5	400	2,000	22,000	24,000
Mr. Yousef Dekheel Al Dekheel	2	400	800	5,500	6,300
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	5,000	5,800
Mr. Ayad Abdulla Ahmed Al Sumait	5	400	2,000	21,500	23,500
Mr.Hashem S.Al Saif	5	400	2,000	15,000	17,000
Mr.Sulaiman Ghloom Abdullah	5	400	2,000	15,000	17,000
					160,800

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

	Name of Executive Member	Designation	Department	Experience in years
1	Mr. Abdul Rahman A. Morshed	Chief Executive Officer	Administration	32
2	Mr. Panos Panagis	General Manager	Administration	14
3	Mr. Ramesh Shankar	Group Chief Accountant	Finance	14
4	Mr. Kim Bhagat	Financial Controller	Finance	26
5	Mr. Salim Thakkur	Director of Engineering	Engineering	19
6	Mr. Michael Kuhn	Director of Sales and Marketing	Sales	10
7	Ms. Aurora Xica Dos Santos	Human Resource Manager	Human Recourses	7
8	Mr. Anthony Stuart Johnson	Security Manager	Security	9
9	Mr. K.P. Chandran	Executive-House Keeping	House Keeping	10
10	Mr. Mohammed Al Shaikha	Front Office Manager	Administration	7
11	Ms. Monica Van Vuuren	Revenue Manager	Administration	6
12	Mr. Francesco Agus	Director, Food & Beverage	Food & Beverage	8
13	Mr. Vito Fornelli	Executive Chef	Food & Beverage	4

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

	2013	2012
	BD	BD
Salaries and wages	**346,270**	316,758
Employees' end of service benefits	**28,346**	38,177
Bonuses	**62,385**	63,278
Total	**437,001**	418,213

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(ii) Committees

The following table summarises the information about the 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 the Company's operations, finance, investments and risk management matters.	Mr. Abdul Latif Ahmed Al Zayani	Non-executive / Non-independent
		Mr.Ayad Abdulla Ahmed Al Sumait	Executive / Non-independent
		Mr.Hashem S.Al Saif	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	Non-executive / Non-independent
		Mr. Mohammed Ali Talib (until 28 March 2013)	Non-executive / Non-independent
		Mr. Abdulaziz Abdulla Alisa (from 29 March 2013)	Non-executive / Non-independent
		Mr. Sulaiman Ghloom Abdullah	Non-executive / Non-independent

The Company should hold a minimum of two Executive and Audit committee meetings during each year. During the year ended 31 December 2013, five 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	19-Feb-13	17-Apr-13	13-Aug-13	23-Oct-13	4-Dec-13
Mr. Abdul Latif Ahmed Al Zayani	✓	✓	✓	✓	✓
Mr.Ayad Abdulla Ahmed Al Sumait	✓	✓	×	✓	✓
Mr.Hashem S.Al Saif	✓	✓	✓	✓	✓

Audit Committee

Members	19-Feb-13	17-Apr-13	13-Aug-13	23-Oct-13	4-Dec-13
Mr. Mishari Zaid Al Khalid	✓	✓	✓	✓	✓
Mr. Mohammed Ali Talib	✓	[redacted]			
Mr. Sulaiman Ghloom Abdullah	✓	✓	✓	✓	✓
Mr. Abdulaziz Abdulla Alisa	×	✓	✓	✓	✓

34 CORPORATE GOVERNANCE DISCLOSURES (continued)

(ii) Committees (continued)

The following table summarises the remuneration for each committee member:

Member	Remuneration 2013 BD	2012 BD
Mr. Abdul Latif Ahmed Al Zayani	**3,050**	1,600
Mr. Ayad Abdulla Ahmed Al Sumait	**2,300**	1,200
Mr. Hashem S.Al Saif	**3,050**	1,600
Mr. Mishari Zaid Al Khalid	**3,050**	2,000
Mr. Mohammed Ali Talib	**400**	2,000
Mr. Sulaiman Ghloom Abdullah	**3,050**	2,000
Mr. Abdulaziz Abdulla Alisa	**2,650**	-
	17,550	10,400

(iii) Corporate Governance

Changes to the Company's corporate governance code and guidelines
In 2013, 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 2013, 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 an annual 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 an annual 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.