His Majesty King Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain

HRH Prince Khalifa bin Salman Al Khalifa
The Prime Minister

HRH Prince Salman bin Hamad Al Khalifa
The Crown Prince and Deputy Supreme Commander

شركة البحرين للسياحة

BAHRAIN TOURISM COMPANY

Hotel, property and tourism development and investment

Commercial registration	:	1977
Board of Directors	:	Qassim Mohamed Fakhroo (Chairman)
		Thabia Abdulla Jasim Abdulla Al-Mannai (Vice Chairman) *
		Adel Hussain Al-Maskati
		Jalal Mohammed Yousuf Jalal
		Othman Mohamed Sharif Al-Rayes *
		Anwar Abdulla Ghuloom *
		Hala Ali Yateem
		Waleed Ahmed Al Khaja *
Chief Executive Officer	:	Abdulnabi Daylami
Offices	:	Crowne Plaza, PO Box 5831, Diplomatic Area
		Manama – Kingdom of Bahrain
		Telephone 17530530/17531122, Telefax 17530867
		E-Mail bahtours@batelco.com.bh
Bankers	:	Ahli United Bank BSC
		National Bank of Bahrain BSC
		Bank of Bahrain and Kuwait BSC
Auditors and registrars	:	KPMG

* Representatives of Social Insurance Organization

CONTENTS

Page

FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS
for the year ended 31 December 2009

The Board of Directors is pleased to present the 31st Annual Report of Bahrain Tourism Company since the incorporation of the company, reviewing the activities and the results of the company for the financial year ended December 31, 2009.

Ongoing financial crisis had an adverse impact on Hotel and Travel Business throughout the year 2009. Our conservative approach helped us reduce this impact on the Business considerably. Due to this, the result of Bahrain Tourism for the year 2009 showed percentage decline by 25% compared to previous year on the group income. The result of Crowne Plaza Bahrain which is owned by Bahrain Tourism Company showed a decrease in sales by 17%. However profit from the Investment Activities increased by 1.2% compared to last year.

The company continues to add a number of Hotel facilities to keep pace with the requirements of businessmen guests and users of the hotel. During the year, 'Spices' Indian Restaurant opened which showed good success from day one. With the renovation of health club, a class facility for physical fitness was opened for Hotel Guests and membership to the general public. Construction of multi-storey car park already started which will give an edge with more parking facilities to our customers.

Net profit of the company in 2009 amounts to BD 3,159,643 as compared to BD 4,233,475 in 2008, a decrease of BD 1,073,832 (25%).

The equity of shareholders increased by 6.2% to BD 28,098,511.

The Board of Directors is pleased to propose for the approval of shareholders, the following appropriations.

	BAHRAIN DINARS
Cash Dividend (20 percent)	1,313,453
Directors remuneration	64,000
Donations to charity	15,000
Retained earnings after appropriations	9,100,857

The Board of Directors would like to express its deep gratitude and sincere appreciation to His Majesty King Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain, to HRH Prince Khalifa Bin Salman Al Khalifa, the Prime Minister and to HRH Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Deputy Supreme Commander of the Bahrain Defence Force, and to the Ministers of the Kingdom of Bahrain for their continuing support and encouragement.

We also wish to reiterate our gratitude and appreciation to our respected clients for their support and finally, we are pleased to convey our appreciation and thanks to the company's Chief Executive Officer and all employees for their sincere efforts towards developing the business of the Company.

Qassim Mohamed Yousif Fakhroo **23 February 2010**

Chairman

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
Bahrain Tourism Company BSC
Kingdom of Bahrain

23 February 2010

Report on the financial statements

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

Responsibility of the Directors for the financial statements

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

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on other legal and regulatory requirements

In addition, in our opinion, the Company has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the information contained therein is consistent with the financial statements. We are not aware of any violations of the Bahrain Commercial Companies Law 2001 or the terms of the Company's memorandum and articles of association having occurred during the year that might have had a material effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

KPMG
Manama, Kingdom of Bahrain

ANNUAL REPORT 2009

Statement of Financial Position
As at 31 December 2009

BAHRAIN TOURISM COMPANY B.S.C

Bahraini Dinars

	NOTE	2009	2008
CURRENT ASSETS			
Cash and bank balances		989,622	1,011,210
Short-term deposits		7,797,025	6,330,595
Trade receivables	3	676,151	924,915
Inventory	4	72,936	54,649
Prepayments and other receivables		317,259	194,167
TOTAL CURRENT ASSETS		**9,852,993**	8,515,536
NON-CURRENT ASSETS			
Available-for-sale investments	5	3,685,101	3,992,719
Investment in associate company	6	3,497,614	2,666,311
Investment property	7	1,249,062	1,287,665
Property and equipment	8	11,667,737	12,058,570
TOTAL NON-CURRENT ASSETS		**20,099,514**	20,005,265
TOTAL ASSETS		**29,952,507**	28,520,801
CURRENT LIABILITIES			
Trade payables		430,325	515,903
Accrued expenses and other payables	9	901,317	1,101,039
Dividends payable		255,024	246,757
TOTAL CURRENT LIABILITIES		**1,586,666**	1,863,699
NON-CURRENT LIABILITIES			
Provision for leaving indemnities	10	267,330	220,665
TOTAL LIABILITIES		**1,853,996**	2,084,364
TOTAL NET ASSETS		**28,098,511**	26,436,437
EQUITY			
Share capital	11	7,200,000	7,200,000
Treasury shares	11	(972,295)	(844,008)
Statutory reserve		3,600,000	3,241,705
Capital and development reserves		5,371,637	5,729,932
Fair value reserve		2,405,859	2,374,822
Retained earnings		10,493,310	8,733,986
TOTAL EQUITY (page 10 - 11)		**28,098,511**	26,436,437

Qassim Mohamed Yousif Fakhroo	Thabia Abdulla Jasim Abdulla Al-Mannai	Abdulnabi Daylami
Chairman	Vice- Chairman	Chief Executive Officer

The Board approved the financial statements consisting of pages 8 to 34 on 23 February 2010.

Bahraini Dinars

	NOTE	2009	2008
HOTEL OPERATIONS			
Revenue	13	7,883,390	9,528,653
Operating costs	14	(4,741,903)	(5,332,252)
PROFIT BEFORE DEPRECIATION		**3,141,487**	4,196,401
Depreciation of hotel and conference centre	8	(1,157,418)	(1,138,324)
PROFIT FROM HOTEL OPERATIONS		**1,984,069**	3,058,077
INVESTMENT ACTIVITIES			
Dividend income		251,893	236,634
Gain on sale of investments		-	18,280
Provision for impairment of available for sale investments		(124,066)	(117,057)
Share of profit from associate	6	914,658	1,074,665
Property income		309,098	231,187
Depreciation of investment property	7	(50,358)	(49,730)
Other income		26,984	74,530
Foreign exchange gain / (loss)		11,918	(87,541)
Interest on short-term deposits		200,301	141,084
PROFIT FROM INVESTMENT ACTIVITIES		**1,540,428**	1,522,052
General and administrative expenses	15	(364,854)	(346,654)
		(364,854)	(346,654)
PROFIT FOR THE YEAR		**3,159,643**	4,233,475
OTHER COMPREHENSIVE INCOME			
Fair value reserve (Available for sale investments):			
Net change in fair value		(309,674)	(404,792)
Net amount transferred to income statement		124,066	106,797
Share in fair value reserve of associate		24,998	(205,666)
Transfer to income statement from fair value reserve of associate		191,647	-
Total other comprehensive income for the year		**31,037**	(503,661)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,190,680**	3,729,814
Basic earnings per 100 fils share	11	48.0 Fils	63.7 Fils

Qassim Mohamed Yousif Fakhroo
Chairman

Thabia Abdulla Jasim Abdulla Al-Mannai
Vice- Chairman

Abdulnabi Daylami
Chief Executive Officer

The financial statements consist of pages 8 to 34 .

Bahraini Dinars

2009	Share Capital	Treasury shares	Statutory reserve	Capital and development reserves	Fair value reserve	Retained earnings	Total
As at 1 January	7,200,000	(844,008)	3,241,705	5,729,932	2,374,822	8,733,986	26,436,437
Profit for the year	-	-	-	-	-	3,159,643	3,159,643
Other comprehensive income							
Fair value reserve (Available for sale investments):							
Net change in fair value	-	-	-	-	(309,674)	-	(309,674)
Net amount transferred to income statement	-	-	-	-	124,066	-	124,066
Share in fair value reserve of associate	-	-	-	-	24,998	-	24,998
Transfer to income statement from fair value reserve of associate	-	-	-	-	191,647	-	191,647
Total other comprehensive income for the year	-	-	-	-	**31,037**	-	**31,037**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	**31,037**	**3,159,643**	**3,190,680**
Purchase of treasury shares	-	(128,287)	-	-	-	-	(128,287)
Dividend declared (2008)	-	-	-	-	-	(1,321,319)	(1,321,319)
Charity donations approved (2008)	-	-	-	-	-	(15,000)	(15,000)
Directors' remuneration declared (2008)	-	-	-	-	-	(64,000)	(64,000)
Transfer to statutory reserve	-	-	358,295	(358,295)	-	-	-
At 31 December	**7,200,000**	**(972,295)**	**3,600,000**	**5,371,637**	**2,405,859**	**10,493,310**	**28,098,511**

The financial statements consist of pages 8 to34.

Bahraini Dinars

2008	Share Capital	Treasury shares	Statutory reserve	Capital and development reserves	Fair value reserve	Retained earnings	Total
As at 1 January	7,200,000	(704,756)	2,818,357	5,729,932	2,878,483	6,332,159	24,254,175
Profit for the year	-	-	-	-	-	4,233,475	4,233,475
Other comprehensive income							
Fair value reserve (Available for sale investments):							
Net change in fair value	-	-	-	-	(404,792)	-	(404,792)
Net amount transferred to income statement	-	-	-	-	106,797	-	106,797
Transfer to income statement from fair value reserve of associate	-	-	-	-	(205,666)	-	(205,666)
Total other comprehensive income for the year	-	-	-	-	(503,661)	-	(503,661)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	(503,661)	4,233,475	3,729,814
Purchase of treasury shares	-	(139,252)	-	-	-	-	(139,252)
Dividend declared (2007)	-	-	-	-	-	(1,329,300)	(1,329,300)
Charity donations approved (2007)	-	-	-	-	-	(15,000)	(15,000)
Directors' remuneration declared (2007)	-	-	-	-	-	(64,000)	(64,000)
Transfer to statutory reserve	-	-	423,348	-	-	(423,348)	-
At 31 December	7,200,000	(844,008)	3,241,705	5,729,932	2,374,822	8,733,986	26,436,437

The financial statements consist of pages 8 to34.

Statement of Cash Flows
For the year ended 31 December 2009

Bahraini Dinars

	2009	2008
OPERATING ACTIVITIES		
Cash received from customers	8,113,595	9,513,495
Rent received	343,640	236,807
Payments to suppliers	(1,009,740)	(1,718,315)
Staff salaries and related costs	(1,413,057)	(1,528,692)
Overhead expenses	(2,921,330)	(2,208,044)
Cash flows from operating activities	**3,113,108**	4,295,251
INVESTING ACTIVITIES		
Interest received	200,301	141,085
Dividends received	551,893	701,634
Other receipts	26,984	74,530
Acquisitions of available-for-sale investments	-	(110,705)
Disposal of available-for-sale investments	-	62,520
Capital expenditure on hotel	(890,602)	(1,206,641)
Cash flows from investing activities	**(111,424)**	(337,577)
FINANCING ACTIVITIES		
Dividends paid to shareholders	(1,313,051)	(1,314,300)
Directors' remuneration paid	(64,000)	(64,000)
Charity paid	(51,504)	(10,500)
Purchase of treasury shares	(128,287)	(139,252)
Cash flows from financing activities	**(1,556,842)**	(1,528,052)
TOTAL NET CASH INFLOW DURING THE YEAR	**1,444,842**	2,429,622
Cash and Cash Equivalents at beginning of year	7,341,805	4,912,183
CASH AND CASH EQUIVALENTS at 31 December	**8,786,647**	7,341,805
Cash and Cash Equivalents per statement of financial position		
Cash and bank balances	989,622	1,011,210
Short-term deposits	7,797,025	6,330,595
	8,786,647	7,341,805

The financial statements consisting of pages 8 to 34

1. STATUS AND OPERATIONS

Bahrain Tourism Company BSC ("the Company") was established pursuant to Amiri Decree 2/1/1974 for the purpose of building and investing in hotels and other tourism projects.

The Company's major undertaking is the Crowne Plaza Bahrain Hotel, although investments in property, shares, managed funds and deposits and other activities now contribute significantly to profits (note 16). The Company also owns and operates Bahrain Tourism Company travel division.

The Company is a subsidiary of the Social Insurance Organisation, which was formed by the merger of the "assets and liabilities" of General Organization for Social Insurance ("GOSI") and Pension Fund Commission ("PFC"), which were major shareholders (holding more than 5% of the outstanding shares) of the Company prior to the merger.

Shareholders

(i) The Company has only one class of equity shares and the holders of these shares have equal voting rights.

(ii) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of outstanding shares (net of treasury shares as disclosed in note 10) are as follows:

SR. NO	NAME	NATIONALITY	NO. OF SHARES	HOLDING%
1	Social Insurance Organisation	Bahrain	37,167,310	56.60

(iii) Distribution schedule of equity shares is as follows:

CATEGORIES	NO. OF SHARES	NO. OF SHARE HOLDERS	% OF TOTAL OUTSTANDING SHARES
Less than 1%	18,480,474	3,439	28.14%
1% up to less than 5%	10,024,851	9	15.26%
5% up to less than 10%	-	-	-
10% up to less than 20%	-	-	-
20% up to less than 50%	-	-	-
50% and above	37,167,310	1	56.60%
	65,672,635	**3,449**	**100.00**

2. SIGNIFICANT ACCOUNTING POLICIES

A) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Bahrain Commercial Company Law 2001.

b) Basis of preparation

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention, except for certain available for sale investments which are stated at fair value.

The Company classifies its expenses using the nature of expense method. The Company has 2 distinct operations, Hotel and Investments. Hotel operations costs include directly related costs and depreciation. All investment decisions are taken by the Investment committee of the Board of Directors and no separate fees are paid for their services. General and administrative expenses pertain to common costs incurred at the holding company for management of the Company.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as described in note 2c below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 15.

C) Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009, are relevant to the Company.

IAS 1 (revised) - Presentation of Financial Statements

Revised IAS 1- Presentation of Financial Statements (2007) became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owners' changes in equity, whereas all non-owners' changes in equity are presented in the statement of comprehensive income. Total comprehensive income may be presented in either:

- a single statement of comprehensive income (effectively combining both the income statement and all non-owners' changes in equity in a single statement), or
- in an income statement and a separate statement of comprehensive income.

The Company has opted to present the total comprehensive income in a single statement "statement of comprehensive income".

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the transitional requirements of the Standard, the Company has provided full comparative information.

The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Company.

Amendments to IFRS 7, 'Financial instruments: Disclosures'

The amendment to IFRS 7 requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Company. These additional disclosures have been presented for the current financial reporting period and in line with the transitional provisions, comparative information has not been provided.

IFRS 8 - Determination and presentation of operating segments

IFRS 8 - Determination and presentation of operating segments became effective as of 1 January 2009. The Company's operating segments for external reporting is based on internal reports provided to the Chief Executive Officer, who is the Company's chief operating decision maker, in order to assess each segment's performance and to allocate resources to them.

The Company's current basis of identification of operating segments is substantially in line with the requirements of the revised standard. Comparative segment information has been presented in conformity with the transitional requirement of IFRS 8 and only impacts presentation and disclosures aspects but does not have an impact on the financial position or the comprehensive income of the Company.

Improvements to IFRS (issued in May 2008)

Improvements to IFRS issued in May 2008 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2009 have been adopted by the Company and no material changes to accounting policies arose as a result of these amendments.

D) Hotel revenue

Income from hotel operations is recognised when services are rendered and when facilities are provided to customers.

e) Receivables

Receivables are recorded at cost, being the fair value of services rendered and facilities provided; less provision for impairment.

f) Inventory

Inventory is valued at lower of cost and net realisable values with due allowance being made for damaged and deteriorated items. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Bahraini Dinars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Monetary assets and liabilities are translated into Bahraini Dinars at year end exchange rates. Transactions in foreign currencies during the year are converted at the rate ruling at that time. Foreign exchange gains and losses are recognized in the income statement. Translation differences for non-monetary items, such as equities classified as available-for-sale investments, are included in a fair value reserve in equity.

h) Available-for-sale Investments

Available-for-sale investments are initially recognised at fair value, including transaction costs and subsequently re-measured to fair value using the closing bid prices. Unrealised gains and losses arising from changes in the fair values of Available-for-sale investments are recognised in other comprehensive income. In the event of sale, disposal, collection or impairment, the cumulative gains and losses recognised previously in other comprehensive income are transferred to the income statement. Purchases and sales of Available-for-sale investments are accounted for on the trade date.

The fair value of quoted equity securities classified as available-for-sale investments is their quoted bid price at the reporting date. Investments in managed funds are valued at net asset values provided by the Investment Manager which approximates their fair values. Available-for-sale investments where there is no quoted market price or other appropriate methods from which to derive reliable fair values, are carried at cost less impairment.

I) Property and equipment

Property and equipment held for operational purposes are carried at cost less accumulated depreciation and any impairment losses. The cost of the properties and equipments includes the cost of bringing them to their present location and condition. Direct costs are capitalized until properties and equipments are ready for use. Capital work-in-progress comprises the cost of properties and equipments that are not yet ready for their intended use on the reporting date. The cost of additions and major improvements are capitalised.

(i) Subsequent cost

The Company recognises in the carrying amount of an item of property and equipment, and the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Depreciation

Land is not depreciated. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment as follows:

Hotel and conference centre buildings	40 years
Hotel and conference centre furnishings and equipment	2 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. When an item of property and equipment is sold or discarded, the respective cost and accumulated depreciation relating thereto are eliminated from the statement of financial position, the resulting gain or loss being recognized in the income statement.

j) Investment in associate company

An associate company is an enterprise in which the Company holds, directly or indirectly, more than 20% of the voting power or exercises significant influence, but not control, over the financial and operating policies. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

k) Investment property

Investment property are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation of the buildings and impairment losses, if any. Depreciation is provided on cost by straight-line method over the estimated useful lives of the buildings. Land is not depreciated.

l) Property income

Property income comprises rent arising from the letting out of investment properties to tenants which is recognized on accrual basis, net of expenses incurred on maintenance of the properties, and depreciation. Rentals are recognised on a time-apportioned basis over the period of the contract.

m) Dividend income

Dividend income is recognised when the right to receive is established.

n) Interest income

Interest income on short term bank deposits is recognised as it accrues, using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Treasury shares

When share capital of the Company is repurchased, the amount of consideration paid is recognized as a change in equity. Repurchased shares classified as treasury shares are carried at cost and are presented as a deduction from equity.

p) Dividends and directors' remuneration

Dividends and directors' remuneration are recognised as a liability in the period in which they are declared.

q) Statutory reserve

In accordance with the Bahrain Commercial Companies Law 2001, 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital. This reserve is distributable only in accordance with the provisions of the law.

r) Capital and development reserves

In accordance with the recommendations of the Board of Directors, specific amounts were transferred to the capital and development reserves. The capital reserve represents the balance of profit resulting from the disposal of land in 1985 and is not distributable. The development reserve was set up to fund capital expenditure and is not intended for distribution.

s) AFS investment fair value reserve

AFS investment fair value reserve represents the unrealized gain or loss on year-end valuation of available for sale investments, including the Company's share of fair value reserve from investment in associates. In the event of sale, disposal, collection or impairment, the cumulative gains or losses recognized in the available for sale investment's fair value reserve are included in the income statement for the year.

t) Charity Donations

In accordance with the recommendations of the Board of Directors, donation for charity is recognised as a liability in the period in which it is declared.

u) Impairment

The carrying amounts of the Company's assets (refer note 15 for impairment of available for sale investments) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognized in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Impairment losses recognised in the income statement on equity instruments are not subsequently reversed through the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Employee benefits

Bahraini employees

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this funded scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in the income statement.

Expatriate employees

Employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector 1976, based on length of service and final salary. Provision for this, which is unfunded, and which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits has been made by calculating the notional liability had all employees left at the reporting date.

w) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and bank deposits maturing within 3 months when acquired.

x) Trade and other payables

Trade payables are stated at their amortised cost.

y) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Bahraini Dinars

3. TRADE RECEIVABLES	2009	2008
Gross Receivables	728,522	1,014,974
Impairment allowance	(52,371)	(90,059)
Net receivables	**676,151**	924,915

The movement in impairment allowance is follows:

	2009	2008
At 1 January	90,059	84,325
Charge for the year	13,210	5,734
Amounts written off during the year	(50,898)	
At 31 December	**52,371**	90,059

The total charge of 13,210 relates to the Hotel operations which is included in operating costs of the hotel.

4. INVENTORY	2009	2008
Food and beverages	58,620	32,312
General stores and supplies	14,316	22,337
	72,936	54,649

5. AVAILABLE-FOR-SALE INVESTMENTS	2009	2008
Investments in quoted shares	3,087,277	3,315,684
Investments in unquoted managed funds	287,024	366,235
Investments in unquoted shares	310,800	310,800
	3,685,101	3,992,719

The Company intend to exit unquoted equity investments and managed funds principally by means of strategic sale or on maturity.

An impairment loss of BD 124,066 (2008: BD 117,057) on available-for-sale investments has been recognised during the year.

6. INVESTMENT IN ASSOCIATE COMPANY	Carrying value	Goodwill	2009 Total	2008 Total
At 1 January	2,292,645	373,666	2,666,311	2,262,312
Movement during the year:				
Profit for the year	914,657	-	914,657	1,074,665
Share of Fair Value Reserve	24,998	-	24,998	(205,666)
Transfer to income statement on impairment	191,648	-	-	-
Dividends received	(300,000)	-	(300,000)	(465,000)
At 31 December	**3,123,948**	**373,666**	**3,497,614**	2,666,311

Ownership	33.33%	33.33%
Total assets	**9,685,000**	8,300,000
Total liabilities	**330,000**	1,422,000
Revenues	**9,392,000**	9,938,000
Profit	**2,693,000**	3,312,000

In applying the equity method, the audited financial statements as of 31 December 2009 have been used.

Bahraini Dinars

7. INVESTMENT PROPERTY	Land	Buildings	2009 Total	2008 Total
Cost				
At beginning of year	494,515	1,793,753	2,288,268	2,270,946
Addition during the year	-	11,755	11,755	17,322
At 31 December	494,515	1,805,508	2,300,023	2,288,268
Depreciation				
At beginning of year	-	1,000,603	1,000,603	950,873
Charge for the year	-	50,358	50,358	49,730
At 31 December	-	1,050,961	1,050,961	1,000,603
Net carrying value	**494,515**	**754,547**	**1,249,062**	1,287,665

Investment property represents investments in land and buildings in Saar and the Diplomatic area. The fair value of the land and buildings is BD 2,319,106 (2008: 2,392,633) based on a valuation performed by an independent property valuer.

Bahraini Dinars

8.PROPERTY AND EQUIPMENT BAHRAIN CONFERENCE CENTRE	Building	Furniture & Equipment	2009 Total	2008 Total
Cost				
At beginning of year	2,797,917	1,591,353	4,389,270	4,389,270
At 31 December	**2,797,917**	**1,591,353**	**4,389,270**	4,389,270
Depreciation				
At beginning of year	1,527,194	1,591,353	3,118,547	2,899,085
Charge for the year	219,463	-	219,463	219,462
At 31 December	**1,746,657**	**1,591,353**	**3,338,010**	3,118,547
Net carrying value	**1,051,260**	-	**1,051,260**	1,270,723

8.PROPERTY AND EQUIPMENT (Continued)

The Bahrain Conference Centre building (freehold) is situated at Diplomatic Area and is used to host corporate seminars and conferences. The building is 15 years old and is not leased to any third party.

Bahraini Dinars

HOTEL PROPERTY & EQUIPMENT	Land	Capital projects in progress	Building	Furniture & Equipment	2009 Total	2008 Total
Cost						
At beginning of year	991,060	1,397,710	17,866,434	7,125,329	27,380,533	26,191,216
Additions	-	697,139	1,444,944	436,665	2,578,748	1,696,283
Transfer from CWIP	-	(1,800,935)	-	-	(1,800,935)	(506,966)
At 31 December	**991,060**	**293,914**	**19,311,378**	**7,561,994**	**28,158,346**	27,380,533
Depreciation						
At beginning of year	-	-	10,470,004	6,122,682	16,592,686	15,569,259
Charge of the year	-	-	673,304	264,651	937,955	920,555
Charged to operating Cost	-	-	11,228	-	11,228	102,872
Disposals	-	-	-	-	-	-
At 31 December	-	-	**11,154,536**	**6,387,333**	**17,541,869**	16,592,686
Net carrying value	**991,060**	**293,914**	**8,156,842**	**1,174,661**	**10,616,477**	10,787,847
Total carrying value	**991,060**	**293,914**	**9,208,102**	**1,174,661**	**11,667,737**	12,058,570

The Crowne Plaza building (freehold) is situated at Diplomatic Area and is used for the Hotel operations of the Company. The building is 33 years old and is not leased to any third party. The fair value of the Hotel land is BD 28,371,536 (2008: 30,398,074) based on a valuation performed by an independent property valuer.

Bahraini Dinars

9. ACCURED EXPENSES AND OTHER PAYABLES

	2009	2008
Rent received in advance	15,983	-
Provision for leave salary	13,070	11,294
Provision for charity	6,889	43,393
Accured expenses	261,697	388,163
Other payables	603,678	658,189
	901,317	1,101,039

10. PROVISION FOR LEAVING INDEMNITY

The Company's contributions in respect of Bahraini employees for 2009 amounted to BD 53,659 (2008: BD 48,537).

The provision for indemnities in respect to expatriate employees was as follows:

Bahraini Dinars

Provision for indemnities	2009	2008
Provision at beginning of year	220,665	172,274
Charge to income statement	81,880	66,330
Indemnities paid during the year	(35,215)	(17,939)
At 31 December	267,330	220,665

11. SHARE CAPITAL	Number	2009 Value	2008 Value
Authorised shares of 100 fils each	150,000,000	15,000,000	15,000,000
Issued	72,000,000	7,200,000	7,200,000
Treasury shares at cost	(6,327,365)	(972,296)	(844,008)
In public issue at 31 December	65,672,635	6,227,704	6,355,992

During the year, the Company purchased 393,298 (2008: 399,090) treasury shares and there were no other movements in the number of shares.

Share statistics	2009	2008
Dividend per 100 fils share	20 fils	20 fils
Earnings per 100 fils share	48.0 fils	63.7 fils
Stock Exchange price per share on 31 December	316 fils	340 fils
Net asset value per share (on weighted average number of shares)	426.56 fils	397.99 fils
Market capitalisation (excluding treasury shares) at 31 December	20,752,553	22,462,417

Earnings per share have been calculated on the basis of the net profit for the year (page 9) divided by the weighted average number of shares in issue during the year 65,871,964 (2008: 66,424,371).

12. APPROPRIATIONS

The Board of Directors recommend the following appropriations, which are subject to the shareholders' approval at the annual general meeting:

Bahraini Dinars

	2009	2008
Statutory reserve	-	423,348
Dividends	1,313,453	1,321,319
Directors remuneration	64,000	64,000
Charity donations	15,000	15,000

13. HOTEL REVENUE	2009	2008
Room	4,164,283	5,147,923
Food and beverage	3,391,757	3,987,076
Rental, telephone and others	327,350	393,654
	7,883,390	9,528,653

14. OPERATING COSTS	2009	2008
Staff salaries	1,459,723	1,541,253
Other direct costs of hotel services	1,559,323	1,902,361
Other employee costs	449,403	386,327
Advertising and marketing expenses	235,720	283,269
Management fees	349,054	466,266
Electricity expenses	186,821	203,680
Travel and entertainment expenses	41,439	40,042
Utilities and maintenance expense	150,909	172,196
Other expenses	309,511	336,858
	4,741,903	5,332,252

15. GENERAL & ADMINISTRATIVE EXPENSES	2009	2008
Staff costs	184,695	173,515
Bonus provision	71,594	56,750
Professional fees	26,032	21,902
Insurance	20,499	26,118
Other expenses	62,034	68,369
	364,854	346,654

Bahraini Dinars

16. COMMITMENTS AND CONTINGENT LIABILITIES	2009	2008
Letter of guarantees	222,588	213,000

17. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Key management personnel of the Company comprises of the Board of Directors, the Chief Executive Officer and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2009	2008
Salary and other allowances to key management personnel	270,358	258,502
Director's remuneration paid	64,000	64,000

Entities in which directors are interested

Transactions with entities controlled by directors, or over which they exert significant influence, are conducted on a normal commercial basis. There were capital expenditure payments for hotel projects made to director-controlled entities where the directors were interested. Transactions during the year and balances as at the year end with them are as follows:

	2009	2008
Capital expenditure payments to director-controlled entities	136,187	103,200

Directors' interest in the share of the company as at the year end was as follows:

	2009	2008
Total number of shares held by Directors	**876,169**	861,169
As a percentage of the total number of shares (net) outstanding	**1.33%**	1.30%

Transactions with associate company

During the year, the Company has rented the office of one of its divisions to its associate company. Rental income earned and receivable from the associate are as follows:

	2009	2008
Rental income earned	**45,500**	-

18. CRITICAL ACCOUNTING ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

Judgments:

Classification of investments

Upon acquisition of an investment, management decides whether it should be classified as investments carried at fair value through profit and loss, investments at amortised cost, held to maturity or available for sale.

Estimates:

Fair value of financial instruments that are not quoted in an active market

The fair value of investments in managed funds is estimated at net asset values provided by the Investment Managers.

Impairment of available-for-sale investments

The Company determines that available-for-sale equity securities and managed funds are impaired when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. Where fair values are not available, the recoverable amount of such investment is estimated to determine impairment. In making this judgement, the management evaluates among other factors, the normal volatility in share price, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

A 20% or more is used as a reasonable measure for significant decline below cost, irrespective of the duration of the decline. Prolonged decline represents decline below cost that last for more than 9 months irrespective of the amount.

19. SEGMENT INFORMATION

The Company has three distinct operating segments, Hotel, Investments and Travel, which are the Company's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different strategies for management and resource allocation within the Company. For each of the strategic business units, the Company's Chief Executive Officer (chief operating decision makers) reviews internal management reports.

The following summary describes the operations in each of the Company's operating reportable segments:

- ***Hotel:*** Provision of hotel facilities and other services to individual and corporate customers;
- ***Investments:*** This segment is focused on investing the surplus funds of the Company in investments in equity shares, mutual funds, and associates and monitoring the performance of the portfolio on a timely basis. The investments are not traded,

19. SEGMENT INFORMATION (Continued)

but held as available for sale securities. The Company also has a travel division which provides ticketing and travel agency services to customers. Since the operations of this segment are not material, it is included under investment segment.

Information regarding the results of each reportable segment is included below. The performance of each operating segment is measured based on segment profits. Segment profits is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. There are no significant inter segment transactions. Segment assets, liabilities and related income/costs are directly related to the respective segment. There are no funds allocated between segments.

The Company operates in Bahrain and does not have operating units in other locations and hence all revenues generated are attributable to its activities from Bahrain.

	Hotel Operations		Investments		Unallocated		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Revenue from external customers	7,883,390	9,528,653	617,826	590,490	-	-	8,501,216	10,119,143
Income from Associate	-	-	914,658	1,074,665	-	-	914,658	1,074,665
Interest income	-	-	-	-	200,301	141,084	200,301	141,084
Total segment revenue	**7,883,390**	9,528,653	**1,532,484**	1,665,155	**200,301**	141,084	**9,616,175**	11,334,892
Operating costs	(4,741,903)	(5,332,252)	(17,933)	(117,400)	(364,854)	(346,654)	(5,124,690)	(5,796,306)
Depreciation	(1,157,418)	(1,138,324)	(50,358)	(49,730)	-	-	(1,207,776)	(1,188,054)
Impairment of assets	-	-	(124,066)	(117,057)	-	-	(124,066)	(117,057)
Total segment costs	**(5,899,321)**	(6,470,576)	**(192,357)**	(284,187)	**(364,854)**	(346,654)	**(6,456,532)**	(7,101,417)
Segment profit/(loss)	**1,984,069**	3,058,077	**1,340,127**	1,380,968	**(164,553)**	(205,570)	**3,159,643**	4,233,475
Segment assets	12,414,049	14,015,903	9,690,298	8,235,371	7,848,160	6,269,527	29,952,507	28,520,801
Segment liabilities	(1,281,113)	(1,209,485)	(572,883)	(874,879)	-	-	(1,853,996)	(2,084,364)
Capital expenditure	766,058	1,696,283	11,755	17,322	-	-	777,813	1,713,605

The total assets of investments segment include BD 3,497,614 (2008: 2,666,311) investment in associate company (page 8).

Geographical distribution of revenue and assets

All assets and liabilities of the Company are located in Bahrain except for investments in managed funds which are located outside Bahrain.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Company include cash and bank balances, deposits, receivables and available for sale investments.

Financial liabilities of the Company include payables and accrued expenses.

The Company has exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Day to day monitoring of the Company's activities and risks is performed by the Board Committees and the Chief Executive Officer.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

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 seeks to limit its credit risk with respect to customers by means of the following policies:

- Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures laid down by the Company.
- Credit review procedures are designed to identify at an early stage exposure, which require more detailed monitoring and review.
- Cash is placed with banks with good credit ratings.

Interest Rate Risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risks on its short-term deposits.

The Company's short-term deposits are at fixed interest rates and mature within one - three months.

	2009	2008
Effective interest rate on short-term deposits	2.70%	2.82%

Liquidity Risk, also referred to as funding risk, is the risk the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a daily basis and the management ensures that sufficient funds are available to meet any future commitments. In the normal course of business, the Company does not resort to borrowings but has the ability to raise funds from banks at short notice.

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

The Company has deposits and investments mainly in Bahraini dinars and United States dollars. The Bahraini dinar is effectively pegged to the dollar, thus exchange rate risks occur only in respect of other currencies.

Included in available-for-sale investments are sterling investments of £ 61,436 (BD 37,255) (2008: £ 204,236 (BD 112,030). The Company is exposed to exchange rate risk in respect of these investments.

Market 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 security or its issuer or factors affecting all investments traded in the market.

The Company is exposed to market risk with respect to its available-for-sale investments.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as total shareholders' equity and the level of dividends to shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. Refer note 1 for details of share capital.

Fair Value and classification of financial instruments

The fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Other than certain available-for-sale investments carried at cost of BD 466,491 (2008: BD 552,533), the estimated fair values of the Company's other financial instruments are not significantly different from their carrying value.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The classification of financial instruments is as follows:

Bahraini Dinars

2009	Loans and receivables	Available for sale	Others at amortised cost	Total carrying amount	Fair value
Cash and bank balances	989,622	-	-	989,622	989,622
Short-term deposits	7,797,025	-	-	7,797,025	7,797,025
Trade receivables	676,151	-	-	676,151	676,151
Available-for-sale investments	-	3,685,101	-	3,685,101	3,685,101
Prepayments and other receivables	317,259	-	-	317,259	317,259
	9,780,057	**3,685,101**	-	**13,465,158**	**13,465,158**
Trade payables	-	-	430,325	430,325	430,325
Accrued expenses	-	-	901,317	901,317	901,317
Dividend payable	-	-	255,024	255,024	255,024
	-	-	**1,586,666**	**1,586,666**	**1,586,666**

Bahraini Dinars

2008	Loans and receivables	Available for sale	Others at amortised cost	Total carrying amount	Fair value
Cash and bank balances	1,011,210	-	-	1,011,210	1,011,210
Short-term deposits	6,330,596	-	-	6,330,596	6,330,596
Trade receivables	924,915	-	-	924,915	924,915
Available-for-sale investments	-	3,992,719	-	3,992,719	3,992,719
Prepayments and other receivables	194,167	-	-	194,167	194,167
	8,460,888	3,992,719	-	12,453,607	12,453,607
Trade payables	-	-	515,903	515,903	515,903
Accrued expenses	-	-	1,101,039	1,101,039	1,101,039
Dividend payable	-	-	246,757	246,757	246,757
	-	-	1,863,699	1,863,699	1,863,699

21. FAIR VALUE HIERARCHY

The Company measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data. The table below analyses financial assets and liabilities carried at fair value, by valuation method.

Bahraini Dinars

31 December 2009	Level 1	Level 2	Total
Available for sale financial assets:			
Quoted equity shares	3,087,277	-	3,087,277
Managed funds	-	287,024	287,024
Total	**3,087,277**	**287,024**	**3,374,301**

22. EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Bahraini Dinars

	2009	2008
Bank balances	979,999	1,000,960
Short term fixed deposits	7,797,025	6,330,595
Trade receivables	676,151	924,915
Other receivables	288,196	193,806
Total	**9,741,371**	8,450,276

22. EXPOSURE TO CREDIT RISK (Continued)

The maximum exposure to credit risk for receivables at the reporting date by segment was:

	2009	2008
Government	159,432	172,881
Non-government	516,719	752,034
Total	**676,151**	924,915

The Company does not hold any collateral against the above receivables.

The ageing of receivables at the reporting date was:

Bahraini Dinars

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
0-30 days	243,762	-	127,633	-
31-90 days	213,607	-	490,881	-
91-365 days	161,486	7,439	234,059	8,237
Over one year	109,667	44,932	162,401	81,822
Total	**728,522**	**52,371**	1,014,974	90,059

	2009	2008
Past due but not impaired	432,389	797,282
Past due and impaired	52,371	90,059
	484,760	887,341

23. EXPOSURE TO LIQUIDITY RISK

The following are the contractual maturities of financial liabilities:

	Carrying value	0-3 months	4-6 months	7-12 months	1-5 yrs	over 5 yrs
31 December 2009						
Trade payables	430,325	430,325	-	-	-	-
Accrued expenses	901,317	207,629	1,323	82,217	610,148	-
Dividend payable	255,024	255,024	-	-	-	-
Total	**1,586,666**	**892,978**	**1,323**	**82,217**	**610,148**	**-**

23. EXPOSURE TO LIQUIDITY RISK (Continued)

	Carrying value	0-3 months	4-6 months	7-12 months	1-5 yrs	over 5 yrs
31 December 2008						
Trade payables	515,903	515,903	-	-	-	-
Accrued expenses	1,101,039	1,027,947	-	-	73,092	-
Dividend payable	246,757	246,757	-	-	-	-
Total	1,863,699	1,790,607	-	-	73,092	-

24. EXPOSURE TO INTEREST RATE RISK

The Company's interest rate risk is limited to its interest bearing short term fixed deposits (page 8). These carry a fixed rate of interest and mature within 1- 3 months.

Change in market interest rate will not have a significant impact on the carrying value of the deposits due to short term characteristics of these deposits.

25. EXPOSURE TO FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk on its available for sale investments, other than those in Bahraini Dinar or US Dollars, since the Bahraini Dinar is effectively pegged against the US Dollar. Included in available-for-sale investments are sterling investments of £ 61,436 (BD 37,255) (2008: £ 204,236 (BD 112,030)).

Change in market foreign exchange rates will not have a significant impact on the carrying value of the investments.

26. EXPOSURE TO EQUITY PRICE RISK

The Company has exposure to price risk on its investments in quoted shares, held as available for sale. Equity risk is the potential adverse impact due to movements in individual equity prices or general market movements in stock markets.

The primary goal of the Company's investment strategy is to ensure risk free returns and invest excess surplus fund available with the Company in risk free securities. The Investment Committee monitors its investment portfolio considering prevalent market prices, and individual buy and sell decisions are approved by Chairman of the Committee. The Company manages the equity risk on its portfolio through diversification of investments in terms of industrial concentration.

27. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR ADOPTION

The following new / amended IFRS's and interpretations have been issued which are not yet mandatory for adoption by the Company.

IFRS 9 Financial instruments part 1: Classification and measurement

IFRS 9 was issued in November 2009 and is applicable for reporting periods beginning on or after 1 January 2013. This standard replaces those parts of IAS 39 relating to the classification and measurement of financial assets and the key features are as follows:

27. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR ADOPTION (Continued)

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (i.e. it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Company is currently in the process of evaluating the potential effect of this standard. Given the nature of the Company's operations, this standard is expected to have a pervasive impact on the Company's financial statements.

Improvements to IFRS (issued in April 2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Early adoption of standards

The Company did not early adopt new or amended standards in 2009.

28 COMPARATIVES

Certain prior year amounts have been regrouped to conform to the presentation in the current year. Such regroupings do not affect previously reported profit or equity.