



Financial statements and independent auditors' report
Banader Hotels Company B.S.C.
For the year ended 31 December 2016

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General information

Commercial registration	:	59045-1 obtained on 20 December 2005	
Directors	:	Mr. Abdulla Hasan Buhindi Mr. Jehad Yusuf Abdulla Amin Mr. Khaled Ali Al-Ameen Mr. Mohammed Farooq Yusuf Al-Moayyed Mr. Ammar Aqeel Al-Hassan Mr. Sulaiman Ahmed Saeed Al-Houqani (Deceased 9 January 2017) Mr. Suhail Mohammed Hajee Mr. Nael Jamil Isa Hashweh Mr. Yusuf Abdulrahman Fakhroo Mr. Redha Abdulla Ali Faraj	- Chairman - Vice Chairman - Director - Director - Director - Director - Director - Director - Director - Director - Director
Audit Committee	:	Mr. Redha Abdulla Ali Faraj Mr. Ammar Aqeel Al-Hassan Mr. Khaled Ali Al-Ameen Mr. Mohammed Farooq Yusuf Al-Moayyed Mr. Yusuf Abdulrahman Yusuf Fakhro	- Chairman - Vice Chairman - Member - Member - Member
General Manager	:	Mr. Ebrahim M. A. Bucheery	
Registered office	:	Office 12, Building 1006 Road 2813, Block 428 Al Seef Area P.O. Box 2474 Manama, Kingdom of Bahrain	
Bankers	:	Kuwait Finance House Bank of Bahrain and Kuwait HSBC Bank Middle East Limited	
Auditors	:	Grant Thornton – Abdulaal P.O. Box 11175 12 th Floor, Al Nakheel Tower Seef District, Kingdom of Bahrain	
Registrar	:	Karvy Computershare W.L.L. P.O. Box 514 Manama, Kingdom of Bahrain	



improvement and maintenance costs of BD. 155K million, and Banader Hotels Corporate expenses of BD. 177K.

The 61,155 preference shares which were right-issued in April, 2014, and the value of which amounted to BD. 6,115,500, were converted in April, 2016 into 79,501,500 ordinary shares. As a result of this conversion, the total paid up capital of the Company became 229,501,500 ordinary shares at 100 Fils per share. The difference due to conversion of BD. 1,834,650 has been reflected in the Financial Statements as a "Capital Adjustment Account."

Furthermore, as a result of this conversion and the increase in the paid up capital of the Company, and since BMMI Company had the majority of the preference shares, their shareholding of the Company increased to 53.91%. Thus, Banader Hotels Company became a subsidiary of BMMI Company.

The Board of Directors commitment, acknowledgement and appreciation:

The Board of Directors wishes to assure the Shareholders that it will continue to strive to achieve the Company's goals and objectives, and to fulfill their aspirations to operate the Hotel in the manner that it becomes profitable within the shortest possible period of time, although, of course, the Hotel performance is a reflection of the overall performance of the hoteling as well as tourism industry in Bahrain.

Finally, the Board wishes to extend its thanks and gratitude to all authorities in general, and to the Central Bank of Bahrain, the Ministry of Industry, Commerce & Tourism and the Bahrain Bourse in particular. The Board also wishes to thank all the parties who have been contributing towards the achievement of the Company's goals and objectives, including HSBC Bank Middle East Limited (for financing), BMMI (for support), the main contractor G.P. Zachariades, the project lead consultants Mohamed Salahuddin Contracting & Engineering Bureau, the Hotel operator Rotana Hotel Management Corporation, all the other contractors and consultants, the in-house Project team and other Company employees, all for their support and efforts made during 2016.

The Board also wishes to express its gratitude and appreciation to the Company's shareholders for their support, patience and understanding, and to assure them that it will continue exerting its best efforts to meet their expectations.

Abdulla Hasan Buhindi
Chairman

08th February, 2017

Independent auditors' report

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**To the Shareholders of
Banader Hotels Company B.S.C.**

Opinion

We have audited the financial statements of **Banader Hotels Company B.S.C.** (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is the key audit matter during the year:

Conversion of preference shares to ordinary shares (Note 13)	
Key audit matter / risk	How the key audit matter was addressed in the audit
<p>Key audit matter On 10 April 2016, the 61,155 preference shares were converted to 79,501,500 ordinary shares. The difference of BD1,834,650 between the par value of ordinary shares issued and the conversion value of the preference shares was recorded in the statement of financial position under "Capital Adjustment Account".</p> <p>Risk The conversion of preference shares may not be presented properly in the financial statements.</p>	<p>We have prepared internal documentation regarding our understanding and proposed treatment of the conversion of preference shares. Since the conversion is unusual as the preference shares converted amounted to BD6,115,500 whereas the share capital issued in relation to the conversion amounted to BD7,950,150, we have consulted the GTI IFRS team just to make sure that the difference should be treated as a share discount. In addition, we have contacted the CBB regarding the account name to be used which is acceptable to them. As per CBB, the account name should be "Capital Adjustment Account".</p>

Other information

The Board of Directors is responsible for the other information. The other information obtained at the date of this auditors' report are the Directors' report set out on pages 2-3 and corporate governance report set out on pages 30-37.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and the Board of Governance for the Financial Statements

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Governance is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governance.

- Conclude on the appropriateness of the Board of Governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information that we considered necessary for the purpose of our audit,
- ii) the financial information included in the report of the Board of Directors is consistent with the financial statements, and
- iii) the Company has maintained proper books of accounts.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law or its Memorandum and Articles of Association nor of 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 which would materially affect its activities or its financial position.



Mr. Jassim Abdulaal
Partner's Registration No. 30
8 February 2017
Manama, Kingdom of Bahrain

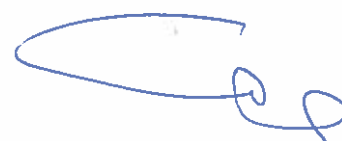
Statement of financial position

	Notes	31 December 2016 BD	31 December 2015 BD
Assets			
Non-current assets			
Property, plant and equipment	3	42,267,135	3,071,979
Capital work in progress	4	-	40,166,411
		42,267,135	43,238,390
Current assets			
Inventories	5	153,608	338,794
Trade and other receivables	6	330,315	468,925
Cash and cash equivalents	7	497,662	221,770
		981,585	1,029,489
Total assets		43,248,720	44,267,879
Equity and liabilities			
Equity			
Share capital	13	22,950,150	15,000,000
Preference shares	13	-	6,115,500
Capital adjustment account	13	(2,434,650)	(600,000)
Statutory reserve	14	65,681	65,681
General reserve	15	38,460	-
Accumulated losses		(6,269,577)	(1,153,766)
		14,350,064	19,427,415
Liabilities			
Non-current liabilities			
Term loan	9	20,029,755	18,409,313
Amount due to related party	10	3,698,473	315,222
Retention payables		-	1,579,922
Employees' terminal benefits	12	65,309	38,050
		23,793,537	20,342,507
Current liabilities			
Trade and other payables	8	688,714	1,626,554
Current portion of term loan	9	1,636,132	568,038
Current portion of amount due to related party	10	-	600,000
Current portion of retention payables		2,780,273	1,579,921
Bank overdraft	11	-	123,444
		5,105,119	4,497,957
Total liabilities		28,898,656	24,840,464
Total equity and liabilities		43,248,720	44,267,879

These financial statements were approved by the Board of Directors on 8 February 2017 and signed on its behalf by:



Abdulla Hasan Buhindi
Chairman




Jehad Yūsuf Amin
Vice Chairman

The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.


Statement of comprehensive income

	Notes	Year ended 31 December 2016 BD	Year ended 31 December 2015 BD
Operating revenue	16	1,922,983	-
Cost of operations	17	(2,020,600)	-
Gross loss		(97,617)	-
Other income		-	169
		(97,617)	169
Expenses			
Staff costs		(911,263)	-
General and administrative expenses	18	(557,687)	-
Corporate expenses	19	(176,975)	(124,271)
Pre-opening expenses	20	(848,365)	(1,028,198)
Depreciation	3	(1,622,476)	(2,098)
Finance costs		(862,968)	(739)
		(4,979,734)	(1,155,306)
Loss for the year transferred to accumulated losses		(5,077,351)	(1,155,137)
Basic and diluted loss per share	21	(0.024)	(0.008)

These financial statements were approved by the Board of Directors on 8 February 2017 and signed on its behalf by:



Abdulla Hasan Buhindi
Chairman



Jehad Yusuf Amin
Vice Chairman

The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.

Statement of changes in equity

	Share capital	Preference shares	Capital adjustment account	Statutory reserve	General reserve	(Accumulated losses)/retained earnings	Total
	BD	BD	BD	BD	BD	BD	BD
At 1 January 2015	15,000,000	6,115,500	(600,000)	65,681	-	1,371	20,582,552
Loss for the year	-	-	-	-	-	(1,155,137)	(1,155,137)
At 31 December 2015	15,000,000	6,115,500	(600,000)	65,681	-	(1,153,766)	19,427,415
At 1 January 2016	15,000,000	6,115,500	(600,000)	65,681	-	(1,153,766)	19,427,415
Conversion into share capital	7,950,150	(7,950,150)	-	-	-	-	-
Effect of conversion	-	1,834,650	(1,834,650)	-	-	-	-
Transaction with owners	22,950,150	-	(2,434,650)	65,681	-	(1,153,766)	19,427,415
Loss for the year	-	-	-	-	-	(5,077,351)	(5,077,351)
Transfer to general reserve	-	-	-	-	38,460	(38,460)	-
At 31 December 2016	22,950,150	-	(2,434,650)	65,681	38,460	(6,269,577)	14,350,064

The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.

Statement of cash flows

	Year ended 31 December 2016 BD	Year ended 31 December 2015 BD
Operating activities		
Loss for the year	(5,077,351)	(1,155,137)
Adjustments for:		
Depreciation	1,622,476	2,098
Gain on sale of property, plant and equipment	-	(169)
Provision for employees' terminal benefits	48,905	43,440
Finance costs	862,968	739
Operating loss before working capital changes	(2,543,002)	(1,109,029)
Changes in operating assets and liabilities:		
Change in inventories	185,186	(338,794)
Change in trade and other receivables	138,610	1,251,919
Change in trade and other payables	(937,840)	12,625
Change in retention payables	(379,570)	1,197,264
Payment of employees' terminal benefits	(21,646)	(9,488)
Net cash (used in)/generated from operating activities	(3,558,262)	1,004,497
Investing activities		
Purchase of property, plant and equipment	(404,705)	(24,675)
Proceeds from sale of property, plant and equipment	-	355
Additions to capital work in progress	(246,516)	(12,470,265)
Net cash used in investing activities	(651,221)	(12,494,585)
Financing activities		
Proceeds from term loan	2,688,536	18,977,351
Additions to amount due to related party	2,783,251	315,222
Repayments of murabaha financing	-	(8,532,711)
Finance costs paid	(862,968)	(739)
Net cash generated from financing activities	4,608,819	10,759,123
Net change in cash and cash equivalents	399,336	(730,965)
Cash and cash equivalents, beginning of the year	98,326	829,291
Cash and cash equivalents, end of the year	497,662	98,326
Comprises:		
Cash in hand	4,600	1,659
Bank balances	493,062	220,111
Bank overdraft	-	(123,444)
	497,662	98,326

The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.

Notes to the financial statements

31 December 2016

1. Organisation and activities

Banader Hotels Company B.S.C. (the “Company”) is a public joint stock company registered in the Kingdom of Bahrain with the Ministry of Industry and Commerce under commercial registration number 59045-1 dated 20 December 2005. The Company owns the Downtown Rotana Hotel which is managed by Rotana Hotel Management Corporation Limited LLC under a 10 year agreement beginning from the actual date of takeover of the management and renewable for three additional terms of ten years.

These financial statements include operations and results of Downtown Rotana Hotel B.S.C. CR. No. 59045-2 obtained on 15 February 2016. The Downtown Rotana Hotel commenced its operations from 1 March 2016.

The principal activities of the Company are building and investing in hotels.

The Company’s registered office is situated in the Kingdom of Bahrain.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Company’s financial statements have been prepared on the basis of historical cost convention. The Company’s financial statements are presented in Bahrain Dinars. All values are rounded to the nearest Bahrain Dinar.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and associated resolutions, rules and procedures of the Bahrain Bourse.

2.3 Standards and amendments not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and are expected to be relevant to the Company but are not yet effective and have not been adopted early by the Company.

- IFRS 9, “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15, “Revenue from Contracts with Customers” (effective from annual periods beginning on or after 1 January 2018); and
- IFRS 16, “Leases” (effective from annual periods beginning on or after 1 January 2019).

Management is yet to fully assess the impact of the above standards, which will be done once these standards are effective, and therefore is unable to provide quantified information.

Notes to the financial statements for the year ended 31 December 2016

2.4 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses except freehold land which is measured at cost less any accumulated impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The cost of the property, plant and equipment includes the cost of bringing them to their present location and condition. The cost of replacing part of an item of property, plant and equipment is recognised in carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. All other costs are recognised in the statement of comprehensive income as expenditure incurred.

Depreciation is recognised on the basis of straight line method to write down the cost less estimated residual value of property, plant and equipment other than freehold land. The estimated useful lives of property, plant and equipment for depreciation purpose are as follows:

Building	40 years
Furniture and fixtures	5 years
Computers and office equipment	5 years
Machinery and equipment	2-8 years
Motor vehicles	5 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income within 'other income' or 'other expenses'.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Capital work in progress represents expenditure incurred for construction and development of capital asset, which is capitalized and depreciated when completed and put to commercial use.

2.5 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. All impairment losses are recognised in the statement of comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2.6 Inventories

Inventories are stated at lower of cost and net realizable value after making necessary provision required for obsolete, slow moving and defective inventories, if any. Cost is determined on the basis of weighted-average method, comprises of expenditure incurred in the normal course of business in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to complete and cost to sell, if any.

2.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balances, net of bank overdraft. In the statement of financial position, bank overdraft is disclosed under current liabilities.

2.8 Provisions

Provisions are recognised by considering an obligation of the Company as on date resulting from past events, and where it is probable that such obligation will result in outflow of economic resources and amount can be reliably estimated.

2.9 Employees' terminal benefits

Employees' terminal benefits and entitlements to annual leave, holiday, air passage and other short term benefits are recognized as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the General Organisation for Social Insurance in the Kingdom of Bahrain. The Company's share of contribution to this funded scheme which is defined contribution scheme under IAS-19 - Employee benefits, is recognised as an expense in the statement of comprehensive income.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law for private sector 2012, based on length of service and final salary. Provision for this, which is unfunded and which represent a defined benefit plan under IAS-19 has been made by calculating the notional liability had all employees left at the reporting date. The provision is classified as a non-current liability in the statement of financial position.

2.10 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 contractually defined terms of payment and excluding government levy.

The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods

Revenue is recognized upon the delivery of goods and customer's acceptance. Revenue represents the invoice value, net of discount for goods sold. Revenue is measured at the fair value of the consideration received or receivable, net of discounts.

Rendering of services

Revenue from services is recognized upon rendering of services provided the amount of the revenue can be measured reliably.

2.11 Other income

Other income is recognised on an accruals basis or when the Company's right to receive payment is established.

2.12 Borrowing costs

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

2.13 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and liabilities are measured subsequently as described below:

a. Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, and trade and other receivables fall into this category of financial instruments.

b. Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income. The Company's financial liabilities include term loan, trade and other payables, amount due to related party, retention payables and bank overdraft.

2.14 Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources embodying economic benefits is improbable or remote. Possible inflows of economic benefits to the Company that do not meet the recognition criteria of an asset are not considered contingent assets.

2.15 Significant accounting judgments and estimates

The Company's financial statements prepared under IFRS require the Company to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Future events may occur which may cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the Company's financial statements as they become reasonably determinable.

a. Judgments

Judgment and estimates 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.

b. Use of estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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.

Useful lives of depreciable assets. Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2016, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analysed in Note 3. Actual results, however, may vary due to technical obsolescence.

Notes to the financial statements for the year ended 31 December 2016

3. Property, plant and equipment

	Freehold land		Building		Furniture and fixtures		Computer and office equipment		Motor vehicles		Machinery and equipment		2016 Total		2015 Total	
	BD		BD		BD		BD		BD		BD		BD		BD	
Cost																
At 1 January	3,048,313	-	-	-	-	-	13,356	26,525	-	-	-	-	3,088,194	-	3,088,194	3,064,292
Additions	-	100,177	-	258,394	-	46,134	-	-	-	-	-	-	404,705	-	404,705	24,675
Transfers	-	36,115,399	-	2,458,887	-	188,415	-	-	-	-	1,650,226	-	40,412,927	-	40,412,927	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(773)
At 31 December	3,048,313	36,215,576	36,215,576	2,717,281	247,905	26,525	1,550,226	43,905,826	3,088,194	3,088,194	3,088,194	3,088,194	43,905,826	3,088,194	43,905,826	3,088,194
Accumulated depreciation																
At 1 January	-	-	-	-	-	-	10,005	6,210	-	-	-	-	16,215	-	16,215	14,704
Charge for the year	-	757,425	-	436,199	-	36,421	-	-	-	-	388,081	-	1,622,476	-	1,622,476	2,098
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(587)
At 31 December	-	757,425	757,425	436,199	46,426	10,560	388,081	1,638,691	16,215	16,215	1,638,691	16,215	1,638,691	16,215	1,638,691	16,215
Net book value																
At 31 December 2016	3,048,313	35,458,151	35,458,151	2,281,082	201,479	15,965	1,262,145	42,267,135	-	-	-	-	42,267,135	-	42,267,135	-
At 31 December 2015	3,048,313	-	-	-	3,351	20,315	-	-	-	-	-	-	-	-	-	3,071,979

Freehold land and building is mortgaged against the term loan and bank overdraft obtained by the Company (Notes 9 and 11).

Building includes accumulated borrowing costs of BD1,884,269 directly attributable to the construction of the Building.

4. Capital work in progress

	2016 BD	2015 BD
Opening balance	40,166,411	27,696,146
Construction costs incurred during the year (i)	196,516	12,224,909
Consultancy and architect fees	50,000	245,356
Transferred to property, plant and equipment	(40,412,927)	-
At 31 December	<u>-</u>	<u>40,166,411</u>

Capital work in progress represents expenditure incurred on construction, consultancy and architect fees for the development of the hotel at Bab-Al-Bahrain, Manama, Kingdom of Bahrain (the "Project"). It includes accumulated borrowing costs of BD1,884,269 (2015: BD1,745,019) directly attributable to the acquisition, construction or production of a qualifying asset.

- (i) This amount includes the borrowing costs capitalized during the year in the amount of BD139,250 (2015: BD1,370,818).

5. Inventories

	2016 BD	2015 BD
Food and beverages	79,775	-
Consumables	73,833	338,794
	<u>153,608</u>	<u>338,794</u>

6. Trade and other receivables

	2016 BD	2015 BD
Trade receivables	176,867	-
Prepayments	74,340	5,332
Advance paid to suppliers/contractors	36,833	438,808
Deposits	29,083	23,204
Advances to staff	2,683	-
Other receivables	10,509	1,581
	<u>330,315</u>	<u>468,925</u>

All amounts are short term. The net carrying value of trade and other receivables is considered a reasonable approximate of fair value at the financial position date. The age of trade and other receivables past due but not impaired are disclosed in Note 25e.

7. Cash and cash equivalents

	2016 BD	2015 BD
Cash in hand	4,600	1,659
Bank balances	493,062	220,111
	<u>497,662</u>	<u>221,770</u>

There are no restrictions on bank balances at the time of approval of the financial statements.

8. Trade and other payables

	2016 BD	2015 BD
Trade payables	293,899	161,198
Leave salary and air passage	93,109	52,406
Government levy payable	65,229	-
Payable to consultant	50,225	50,000
Payable to contractors	31,100	1,347,217
Advances from customers	21,676	-
Refundable subscription to share capital	15,733	15,733
Management fee payable	5,037	-
Other payables	112,706	-
	<u>688,714</u>	<u>1,626,554</u>

The carrying values of trade and other payables are considered to be a reasonable approximate of fair value at the financial position date.

9. Term loan

	2016 BD	2015 BD
HSBC Bank Middle East Limited	21,665,887	18,977,351
Less: Current portion	<u>(1,636,132)</u>	<u>(568,038)</u>
Non - current portion	<u>20,029,755</u>	<u>18,409,313</u>

This represents term loan of up to BD25,000,000 obtained from HSBC Bank Middle East Limited to finance the settlement of the Murabaha facility, fund the Project and its pre-operating expenses until the soft opening of the Hotel, and fund the retention payable to the Project's contractors. This loan bears interest rates varying from 2.2% to 2.45% plus the BHIBOR or T-bills rate, as applicable, and is repayable in 29 quarterly instalments ranging from BD131,139 to BD657,011 and final payment of BD11,145,000. The final instalment is falling due on 31 March 2023. The loan is secured against the freehold land and building bearing title deed number 146959 (Note 3) and guarantee of BMMI B.S.C. in the amount of BD25,750,000.

Notes to the financial statements for the year ended 31 December 2016

The Company entered into an assignment of receivables agreement with HSBC Bank Middle East Limited on 8 July 2015 whereby the Company irrevocably and unconditionally assigns to the Bank, all monies due and to become due to the Company from its operations until the full amount of loan including the interest is settled.

That portion of the term loan which is repayable within twelve months from the financial position date is classified as current liability in the statement of financial position.

10. Amount due to related party

	2016 BD	2015 BD
BMMI B.S.C.	3,698,473	915,222
Less: Current portion	-	(600,000)
Non - current portion	<u>3,698,473</u>	<u>315,222</u>

The amount due to related party includes loan of BD3,098,473 (2015: BD315,222) obtained from BMMI B.S.C. to finance the completion of construction work of the Project. The loan from BMMI B.S.C. bears interest of 2.45% over BHIBOR and is repayable within a maximum period of 60 months. In the event of default, the Company will carry out a Rights Issuing allowing the conversion of the remaining unpaid instalments into preference shares with the process expected to result in the final allotment by 2020.

In addition, during the year the amount due to BMMI B.S.C. in the amount of BD600,000 was transferred to non-current portion based on confirmation from related party that it will be payable one year after the financial position date.

That portion of the amount due to related party which is repayable within twelve months from the financial position date is classified as current liability in the statement of financial position.

11. Bank overdraft

	2015 BD
HSBC Bank Middle East Limited	<u>123,444</u>

The overdraft facility obtained from the Company's banker to finance working capital requirements of the Company, bore interest at a rate of 2% per annum over one month BIBOR and was secured against the freehold land bearing title deed number 146959 and building (Note 3).

12. Employees' terminal benefits

The movement in leaving indemnity liability applicable to expatriate employees is as follows:

	2016 BD	2015 BD
At 1 January	38,050	4,098
Amount provided for the year	48,905	43,440
Amount paid during the year	(21,646)	(9,488)
At 31 December	<u>65,309</u>	<u>38,050</u>

The number of expatriate staff employed by the Company at 31 December 2016 was 206 (2015: 184).

13. Share capital

	2016 BD	2015 BD
Authorized share capital:		
Ordinary shares		
300,000,000 ordinary shares of 100 fils each (2015: 300,000,000 ordinary shares of 100 fils each)	30,000,000	30,000,000
Irredeemable preference shares		
64,500 preference shares of BD100 each (2015: 64,500 preference shares of BD100 each)	6,450,000	6,450,000
Issued share capital:		
Ordinary shares		
229,501,500 ordinary shares of 100 fils each (2015: 150,000,000 ordinary shares of 100 fils each)	22,950,150	15,000,000
Irredeemable preference shares:		
2015: 61,155 preference shares of BD100 each	-	6,115,500
Less: Transaction costs	-	(600,000)
	<u>-</u>	<u>5,515,500</u>

Out of the total issued and paid up ordinary share capital, BD3,000,000 was in kind pertaining to contribution of land by one of the Company's shareholders BMMI B.S.C.

An extraordinary general meeting of the Shareholders held on 29 March 2012 resolved to issue non-participating, irredeemable, non-cumulative, convertible preference shares to the existing Shareholders and authorised the Board of Directors to process the related formalities.

Subsequently, on 7 May 2012, the Board of Directors passed a resolution to call for Shareholders' subscription towards the issue of 57,500 convertible, non-redeemable, non-cumulative, non-participating preference shares of BD100 each, at par, with a maturity period of two years from the date of the allotment with a possible extension for up to additional two years at the discretion of the Board.

Notes to the financial statements for the year ended 31 December 2016

The Shareholders of the Company approved to increase the total number of the irredeemable preference shares to 64,500 in their extra ordinary annual meeting held on 8 October 2013.

On 13 March 2014, the Annual General Meeting approved the total Shareholders' subscription towards the issue of 61,155 convertible, non-redeemable, non-cumulative, non-participating preference shares of BD100 each, at par.

On 8 April 2014, the Capital Markets Supervision Directorate of the Central Bank of Bahrain issued a no objection letter for the increase in share capital through the issuance of 61,155 shares of BD100 each non-participating, irredeemable, non-cumulative, convertible preference shares. Accordingly, share certificates were issued to preference shareholders. Transaction costs pertaining to the underwriting fees to BMMI B.S.C. in the amount of BD600,000 was deducted from the preference shares. The change in memorandum of association is in process as of the report date.

On 10 April 2016, the 61,155 preference shares were converted to 79,501,500 ordinary shares. The difference of BD1,834,650 between the par value of ordinary shares issued and the conversion value of the preference shares was recorded in the statement of financial position under "Capital Adjustment Account". The change in memorandum of association is in process as of the report date.

Additional information on ordinary shares shareholding pattern

	Nationality	31 December 2016	
		Number of shares	Percentage of shareholding interest
		BD	
BMMI B.S.C.	Bahraini	123,726,880	53.9%
Sulaiman Ahmed Saeed Al-Hoqani	Omani	14,939,993	6.50%
Nasser Mohamed Al Nuwais	Emirati	11,250,000	4.90%
General public	Various	79,584,627	34.7%
		229,501,500	100%

	Nationality	31 December 2015	
		Number of shares	Percentage of shareholding interest
BMMI B.S.C.	Bahraini	45,726,880	30.48%
Sulaiman Ahmed Saeed Al-Hoqani	Omani	14,939,993	9.96%
Nasser Mohamed Al Nuwais	Emirati	11,250,000	7.50%
General public	Various	78,083,127	52.06%
		150,000,000	100%

The Shareholders of ordinary shares have equal voting rights.

Notes to the financial statements for the year ended 31 December 2016

The distribution pattern of ordinary shares, setting out the number of shareholders and percentages in the following categories is as follows:

	31 December 2016		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,192	69,915,704	30.47%
1% up to less than 5%	4	20,918,923	9.12%
5% up to less than 10%	1	14,939,993	6.50%
10% up to less than 60%	1	123,726,880	53.91%
	3,198	229,501,500	100%

	31 December 2015		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,229	54,571,217	36.39%
1% up to less than 5%	12	23,511,910	15.67%
5% up to less than 10%	2	26,189,993	17.46%
10% up to less than 50%	1	45,726,880	30.48%
	3,244	150,000,000	100%

The percentage of shares held by the Directors to the total number of shares at 31 December 2016 was 7.49% (2015: 11.71%).

Additional information on preference shares shareholding pattern

	31 December 2015		
	Nationality	Number of shares	Percentage of shareholding interest
BMMI B.S.C.	Bahraini	60,000	98.11%
General public	Various	1,155	1.89%
		61,155	100%

Notes to the financial statements for the year ended 31 December 2016

The distribution pattern of preference shares, setting out the number of shareholders and percentages in the following categories is as follows:

	Number of shareholders	Number of shares	31 December 2015
			Percentage of total outstanding shares
Less than 1%	15	243	0.40%
1% up to less than 5%	1	912	1.49%
5% up to less than 99%	1	60,000	98.11%
	17	61,155	100%

14. Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Company's profit for the year before appropriations is required to be transferred to a non-distributable reserve account up to a minimum of 50% of the issued share capital. No transfer has been made to this reserve as the Company has incurred a loss (2015: Nil).

15. General reserve

General reserve represents funds set aside for the future capital expenditure. It is calculated based on 2% of the gross revenue in the first two years of operations, 3% of the gross revenue on the next two years of operations and 4% thereafter.

16. Operating revenue

	2016 BD	2015 BD
Rooms	1,323,008	-
Food and beverages	545,662	-
Other operating departments	54,313	-
	1,922,983	-

17. Cost of operations

	2016 BD	2015 BD
Food and beverages	257,696	-
Direct labour	924,029	-
Consumables	480,824	-
Other overhead expenses	358,051	-
	2,020,600	-

18. General and administrative expenses

	2016 BD	2015 BD
Commission	122,104	-
Advertisement and business promotion	62,224	-
IT Costs	73,911	-
Complimentary food, beverage and gifts	50,052	-
Printing and stationery	54,913	-
Contract services	42,099	-
Other expenses	152,384	-
	<u>557,687</u>	<u>-</u>

19. Corporate expenses

	2016 BD	2015 BD
Staff costs	66,714	62,665
Stock exchange subscription fees	31,384	18,375
Other expenses	78,877	43,231
	<u>176,975</u>	<u>124,271</u>

20. Pre-opening expenses

	2016 BD	2015 BD
Staff costs	474,289	939,726
Consumables	89,342	4,172
Advertisement	95,696	11,216
Professional fees	53,908	5,743
Printing and stationery	40,142	8,372
Utilities expenses	39,554	-
Miscellaneous expenses	55,434	58,969
	<u>848,365</u>	<u>1,028,198</u>

21. Loss per share

	2016 BD	2015 BD
Numerator		
Net loss for the year used in basic and diluted EPS	(5,077,351)	(1,155,137)
Denominator		
Weighted average number of ordinary shares issued used in basic EPS	207,779,779	150,000,000
Basic and diluted loss per share	<u>(0.024)</u>	<u>(0.008)</u>

Notes to the financial statements for the year ended 31 December 2016

The 61,155 non-participating, irredeemable, non-cumulative, convertible preference shares were not considered in calculation of diluted earnings per share as it was antidilutive and decreased the loss per share.

22. Segmental information

As the Company has hotel operations as its only business segment, no business segmental information has been presented.

The Company's operations are restricted to the Kingdom of Bahrain therefore no geographical segmental information has been presented.

23. Related party transactions

The Company's related parties include its Directors, key management personnel, Shareholders, their close relatives and businesses under their control. The Company's transactions with related parties are in the ordinary course of business. The balances with related parties at financial position date have been separately disclosed in the financial statements.

The following amount arises out of the transactions with related parties of the Company are reflected in the financial statements;

Name of the related party	Nature of transactions	2016 BD	2015 BD
Board of Directors	Sitting fee	18,800	13,600
BMMI B.S.C.	Purchases	70,450	-
BMMI B.S.C.	Loan from related party	3,028,358	312,500
BMMI B.S.C.	Interest on loan from related party	70,115	-

The total salaries to members of key management in 2016 (including salaries and benefits) were BD67,440 (2015: BD27,200).

24. Commitments

a. Operating lease commitments

The Company's future minimum lease payments under non-cancellable operating leases are as follows:

	2016 BD	2015 BD
Within one year	158,400	264,850
More than one year but within five years	116,800	326,200
	<u>275,200</u>	<u>591,050</u>

Notes to the financial statements for the year ended 31 December 2016

b. Capital commitments

Commitments on capital work in progress as at 31 December 2016 and 31 December 2015 are as follows:

	2016 BD	2015 BD
Construction costs	2,937	928,605
Project management, consultancy fees and Rotana FF&E	-	160,589
	<u>2,937</u>	<u>1,089,194</u>

25. Financial assets and liabilities and risk management

The Company's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables, amount due to related party, bank overdraft, term loan, and retention payables.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors approves policies for managing each of these risks, which are summarized below.

a. Interest rate risk

The Company's policy is to minimize interest rate risk exposures on long-term financing. The Company is exposed to the risk of changes in market interest rates as the Company's term loan, bank overdraft and certain amount due to related party which bear interest rate ranging from 2% to 2.45% plus BHIBOR. Sensitivity of profit to reasonably possible change in interest rate is not disclosed as it is not expected by the management to materially affect the result of the operation of the Company.

b. Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents.

The following table shows the maturity profile of financial liabilities as at 31 December 2016:

Particulars	Due within 1 year	Due between 1 to 5 years	Total
	BD	BD	
Retention payables	2,780,273	-	2,780,273
Accounts and other payables	573,929	-	573,929
Amount due to related party	-	3,698,473	3,698,473
Term loan	1,636,132	20,029,755	21,665,887
	<u>4,990,334</u>	<u>23,728,228</u>	<u>28,718,562</u>

Notes to the financial statements for the year ended 31 December 2016

The following table shows the maturity profile of financial liabilities as at 31 December 2015:

Particulars	Due within	Due between	Total
	1 year	1 to 5 years	
	BD	BD	BD
Retention payables	1,579,921	1,579,922	3,159,843
Accounts and other payables	1,574,148	-	1,574,148
Amount due to related party	600,000	315,222	915,222
Bank overdraft	123,444	-	123,444
Term loan	568,038	18,409,313	18,977,351
	4,445,551	20,304,457	24,750,008

c. Foreign currency risk

The Company's primary exposure to the risk in changes in foreign currency relates to the transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The currency risk on foreign currencies is actively monitored by the Management. The Company's transactions are predominantly in Bahraini Dinars.

d. Credit risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company trades only with recognized, creditworthy third parties.

The table below shows the gross maximum exposure to the Company's credit risk, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at 31 December:

	2016	2015
	BD	BD
Trade and other receivables	219,142	24,785
Bank balances	493,602	220,111
	712,744	244,896

e. Credit quality per class of financial asset

The Company continuously monitors defaults of other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls.

Where available at reasonable cost, external credit ratings and/or reports on other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all the above financial assets that are past due but not impaired for each of the reporting dates under review are of good credit quality.

The table below shows the age analysis of the Company's financial assets as at 31 December 2016.

Particulars	Neither past due nor impaired	Past due but not impaired			Total
		0 to 90 days	91 to 180 days	More than 180 days but less than 1 year	
		BD	BD	BD	
Trade and other receivables	91,818	55,201	59,853	12,270	219,142
Bank balances	493,602	-	-	-	493,602
	585,420	55,201	59,853	12,270	712,744

The table below shows the age analysis of the Company's financial assets as at 31 December 2015.

Particulars	Neither past due nor impaired
	BD
Trade and other receivables	24,785
Bank balances	220,111
	244,896

26. Capital management policy

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize Shareholders' value.

The Company monitors capital using capital to overall financing ratio, which is capital divided by overall financing.

	2016	2015
	BD	BD
Total equity	14,350,064	19,427,415
Less: Cash and cash equivalents	(497,662)	(221,770)
Capital	13,852,402	19,205,645
Total equity	14,350,064	19,427,415
Borrowings	25,364,360	19,416,017
Overall financing	39,714,424	38,843,432
Capital to overall financing ratio	0.35	0.49

27. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

28. Comparative figures

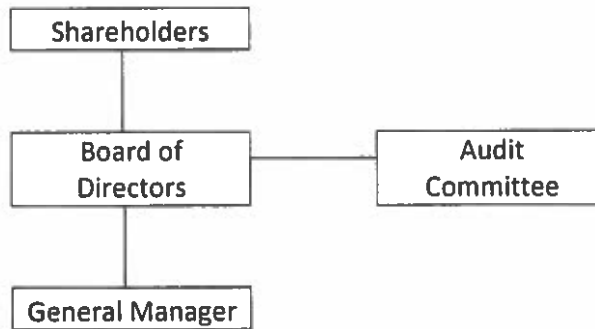
The comparative figures for the previous year have been reclassified/re-arranged wherever necessary to conform with the presentation in the current year's financial statements.

Corporate Governance Report

Corporate Governance is about promoting corporate fairness, transparency and accountability. It is a continual process, which aims at transforming corporations into more democratic entities with a view to enhancing responsible corporate management geared towards long-term value creation, the Company is committed to the formulation of its corporate governance policies and the programmed implementation of these policies. The Corporate Governance Code for the Company was approved and introduced by the Board of Directors in 2015. This Code is deemed to be based on the High Level Control Module Volume 6 of CBB Rule Book. No changes to the Company Corporate Governance guidelines were made during the Year 2016.

Banader Hotels Company owns, as its branch, Downtown Rotan Hotel. The Hotel was opened in March 2016. With a manpower standing at 241 employees at the end of December 2016. The Hotel is being managed by Rotana Hotel Management Corporation, a well-known corporation with its own hotel management systems which incorporates all the necessary procedures and controls. Banader Hotels Company, the owner of the Hotel, however, operates with a small strength of manpower.

Governance Structure:



Responsibility:

As a responsible public company, all efforts are exerted to ensure the operation of the Company and the Hotel is performed in accordance with the Corporate Governance Code. The function of Compliance is handled by the General Manager under the umbrella of the Audit Committee. The Company also engaged, with effect from January 2017, a professional consulting firm, KPMG Fakhro, to provide internal audit service for both the Company and the Hotel.

Revised Memorandum & Articles of Association

The current Memorandum & Articles of Association was first formulated in 2005 at the inception of the Company. Since then, a number of changes, related to capital structure and size, and the amendments to the Commercial Company Law, have occurred, and necessitated the amendments of the Memorandum & Article of Association. A draft of such amendments was prepared and was approved by the Board of Directors in its meeting of 9th November 2016. Based on no objection from regulatory authorities concerned, the amendment will be presented to the next Extra-ordinary General Meeting for its approval.



Shareholding:

The majority of the Company's shareholding is held by institutional investors as well as prominent business persons to the extent of more than 85%. The shareholding of the Directors amounted to 7.4% at 31st December 2016. More details are given in Note 13 to the Financial Statements. The Company General Manager ownership at 31st December, 2016 amounted to 0.015%. All shares owned by directors and management have been acquired through personal purchase. In April 2016, the preference shares, which were right-issued in April 2014, were converted, in April, 2016, to ordinary shares in accordance with the mandate of the related offering circular. After the conversion, and since the majority of the preference shares were subscribed by and allotted to BMMI, the shareholding of this company in Banader Hotels became 53.9 %. Thus, the Company became a subsidiary of BMMI.

Nationality of ownership by size of shareholder and names of shareholders owning 5% or more has been reported in the Financial Statements. The following is a table showing the distribution of ownership by nationality:

Distribution of Ownership by Nationality as at 31 st December, 2016			
Nationality	No. of Shareholders	Total Ordinary Shares	%age to Equity
Bahraini	975	194,769,383	84.87
Omani	3	14,941,493	6.51
Emarati	1	11,250,000	4.90
Saudi	2024	5,742,010	2.50
Kuwaiti	63	1,950,978	0.85
Qatari	62	181,328	0.08
Others	70	666,308	0.29
Total	3198	229,501,500	100.00

Policies and procedures:

With the current status of the Company whereby there are limited staffing and organizational functions, and where the number of transactions is relatively small, it has not yet developed policies and procedures. However, the Company recognizes the importance of developing policies and procedures as and when appropriate. However, the Downtown Rotana Hotel, which is owned by the Company, is operated/managed by Rotana Hotel Management Corporation, whereby, there exist well-established policies and procedures, for managing the Hotel. The engagement of a professional consulting firm to provide internal audit service in relation to the operation of the Company and the Hotel, effective January, 2017, is aimed at ensuring that operations are carried out within an environment that facilitates controls and adherence to good governance requirements.

Anti-money laundering:

The Company has not come across any suspicious transactions that could be related to money laundering or terrorism financing.



Integrity, credibility, compliance, confidentiality and transparency:

The Company is committed at all levels to the principle of integrity. It provides clear, comprehensive and accurate information to related parties such as shareholders, employees and legal and regulatory authorities. It abides by all relevant laws, regulations and standards, and would explain any necessary deviation or non-applicability. It would not inappropriately share any information on transaction concerning shareholders, employees, suppliers and business partners, except with those authorities with whom the sharing of information is permitted or required by laws and regulations. As a public shareholding company, Banader Hotels Company is committed to the disclosure of information of public nature promptly, accurately, thoroughly and comprehensively. It strives to establish transparent and close communication with the shareholders. In absolute necessary circumstances, and as required by the Law, the Company would communicate with shareholders in writing. However, due to the large number of shareholders, communication would generally be conducted publically through other public media such as newspapers, etc. The Financial Statements are prepared and audited in accordance with generally accepted international accounting and auditing standards. The External Auditors would comment, in their management report, on principal risks and uncertainties faced by the business.

Board of Directors:

Banader Hotels Co. Board is the primary governing body for the Company. The Board works within the framework and stipulations of the Commercial Companies Law 2001 and all amendments thereof, and the Company's Memorandum and Articles of Association.

The mandate of the Board is set out in the Company's Corporate Governance Code Guidelines. Due to the small size of organization, all material decisions are normally made at the Board level. Board terms is for three years. Renewal or new election is conducted every three years at the Annual General Meeting.

The Company directors, as apparent from their profiles, included in this report, have vast experience in management and directorship. New directors are normally provided with the necessary Corporate Governance guidelines, and other established guidelines. The Company has adopted a written code of ethical business conduct, and the Board monitors the application of the code through its Audit Committee.

As of 31st December, 2016, Banader Hotels Co. Board comprised 10 members. Next full election will be in the 2018 Annual General Meeting.

Abdulla Hassan Buhindi	Chairman	Independent	Non-Executive
Jehad Yusuf Amin	Vice Chairman	Non-independent	Non-Executive
Khaled Ali Al Ameen	Member	Independent	Non-Executive
Mohammed Farooq Al Moayyed	Member	Independent	Non-Executive
Suhail Mohammed Hajee	Member	Non-independent	Non-Executive
Ammar Aqeel Al Hassan	Member	Non-independent	Executive
Solaiman Ahmed Al-Hoqani	Member	Independent	Non-Executive
Nael Jamil Hashweh	Member	Independent	Non-Executive
Yusuf Abdulrahman Fakhro	Member	Independent	Non-Executive
Redha Abdulla Ali Faraj	Member	Non-independent	Non-Executive

Note: Mr. Soleiman Al-Hoqani, deceased on 9th January, 2917.



Profile of Board Directors:

Mr. Abdulla Hasan Buhindi (*Chairman*)

Appointed to the Board in November, 2005, Mr. Buhindi is one of the leading businessmen in Bahrain. He is a Bachelor in Commercial Banking from Kuwait University. He holds various positions in several institutions both locally and internationally. He is Chairman of the Board of National Investment Company, Buhindi Group, Aer Rianta M.E., Banz Group, BMMI Company, United Paper Industries. He is also Managing Director of Bahrain Duty Free Complex. He holds directorship in Oasis Capital Bank. He is appointed as Honorary Consul to Irish Consulate Bahrain since July 2009.

Mr. Jehad Yusuf Amin (*Vice-Chairman*) (*representative of BMMI*)

Mr. Amin has been a board member since November, 2005 and was appointed on 8th February, 2012 as the vice chairman of Banader Hotels Co. Mr. Amin has 18 years of experience in the investment field. He holds various board and committee positions. He has been since 1999, a board member and a member of the executive/investment committee in the Bahrain National Holding (BNH). He is a board member in the Bahrain National Insurance (BNI). He is a board member and a member of the investment committee of United Insurance. He is a board member, a member of the audit committee, and a member of Metro Market committee of the General Company for Trading and Food Industries (Trafco). He is a board member and a member of the executive committee of Bahrain Live Stock. He is a board member and a member of the executive/investment committee of BMMI. He is a board member and a member of the executive committee of Bahrain Cinema Company. He is a board member of the Bahrain Duty Free Complex.

Mr. Khaled Ali Al-Ameen

Appointed to the Board in March, 2009, Mr. Al-Ameen is a prominent entrepreneur in Bahrain and plays an instrumental role in developing his family-owned businesses. He holds key positions as a member of the Bahrain Economic Development Board, a board member of the executive office of the Board of Bahrain Chamber of Commerce and Industry (BCCI) and Vice Chairman of Tamkeen (Labour Fund). He is also a board member of Ali Rashid Al Amin Trading Company. Furthermore, he is the CEO of Midway Supermarket. He is also the chairman of the Food and Agriculture Sector Committee of the Bahrain Chamber of Commerce & Industry, and the Bahrain India Business Council. He is a member of the executive committee of Bahrain Life Stock Company, the board of trustees of Ibn Khuldoon National School, and CHIANE DES ROTISSEURS.

Mr. Mohammed Farooq Almoayyed

Appointed to the Board in November, 2005, Mr. Almoayyed holds a Bachelor's degree in Business Administration (Major in Finance) from George Washington University USA. He is the chairman of Almoayyed International Group. As a promising entrepreneur, he has actively participated in the group's business activities since the year 2000. He also extends his managerial support to the parent group Y.K. Almoayyed & Sons BSC ©. Currently, he holds board positions in Y.K. Almoayyed & Sons BSC ©, Almoayyed Contracting Group, Bahrain Economic Development Board, Bahrain Chamber of Commerce & Industry, National Finance House BSC ©, BMMI, Lanterns Restaurant W.L.L., Mirai Restaurant W.L.L., Global Sourcing & Supply, and Bayader Company Restaurant Management SPC.



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Mr. Suhail Mohammed Hajee (*representative of BMMI*)

Appointed to the Board in March, 2012, Mr. Hajee holds an MBA from McGill University, and a BSC Computer Engineering from Concordia University, both from Montreal, Canada. Mr. Hajee began his investment/banking career in 1990 with Arab Insurance Group (ARIG), Bahrain. In 1991, he joined Integrated Financial Concept, Vancouver, Canada. Between 1996 and 2006, Mr. Hajee held a succession of senior management positions and was a member of a number of high level committees at Bank of Bahrain & Kuwait. In 2007, as a founding member in the establishment of Instrata Capital, a MENA focused asset management firm, he held the position of Chief Executive Officer in this organisation. In 2014, as part of an acquisition transaction he joined Arqaam Capital in the role of Executive Director in charge of the Infrastructure Asset Management Group. Mr. Hajee has served in various committees and board memberships. He is currently a board member of BMMI, BFC and Al Dur Power in Bahrain and board member of ACWA Power Barka in Oman. He is also a member of Stakeholder Council of SuRe, the Standard for Sustainable and Resilient Infrastructure under the Global Infrastructure Basel (GIB) Foundation based in Basel.

Mr. Ammar Al Hassan (*representative of BMMI*)

Appointed to the Board in April, 2011, Mr. Alhassan has 20 years of experience in Finance, Accounting and Executive Leadership. He is a fellow member of the Chartered Institute of Management Accountants (CIMA) and holds a Master of Business Administration (MBA) from University of Manchester - Manchester Business School. He held various finance roles in BMMI, including his current role as CFO & EVP.

Mr. Solaiman Ahmed Al Hoqani (*deceased on 9th January, 2017*)

Appointed to the Board in March, 2012, Mr. Solaiman was chairman and board member of Global Financial Investments Holding SAOG (Oman), United Finance SAOG (Oman), Gulf Stone SAOG (Oman), Batina Hotels SAOG (Oman), Sohar Gases LLC (Oman), Oman Sayrat International SAOC (Oman), and Ithraa Capital (UAE). He was also a founder and owner of Globalinvest (Oman), Global Omani Development & Investment (Oman), Batina for Investment SAOG (Oman), Dhofar Holding SAOC (Oman) and First National LLC (Oman). He was also investor in listed stocks across MENA region.

Mr. Nael Jamil Hashweh

Appointed to the Board in March, 2012. After completing his studies in Hotel Management, Mr. Hashweh started his career with Intercontinental Hotel group. During his 11 years of service with the group, he held executive financial positions in Jerusalem, the Mariana Islands (South of Japan) and the UAE. In 1983, he joined Abu Dhabi National Hotel Company, first as Senior Auditor and later heading the departments of Finance and Administration as well as Hotels Operations Controls. In 1995, Mr. Hashweh joined the founders of Rotana as a partner and board member besides holding the position of Executive Vice President and CFO. For three years before his retirement in July, 2012, he served with Rotana as Consultant. Mr. Hashweh is currently a board member for Rotana Hotel Management Corporation (PJSC) and other affiliated companies in the UAE, Bahrain and Jordan.



Mr. Yousuf Abdulrahman Fakhro

Appointed to the Board in March, 2012, Mr. Fakhro holds a bachelor of Internationals Relations from Tufts University in Massachusetts, Boston. Mr.Fakhro is the managing director of Yousif Bin Yousif Fakhro where he has been managing different business lines and divisions of the group. Previous to joining Yousif Bin Yousif Fakhro, he was at Citi Bank Bahrain as an assistant manager for a period of 3 years. Mr.Fakhro holds several board positions in various local and regional businesses, governmental entities and charitable organizations.

Mr. Redha Abdulla Ali Faraj

Appointed to the Board since April, 2016. Mr. Redha Faraj is a fellow member of the Association of Chartered Certified Accountants U.K. He commenced his career as Finance and Accounts Manager with British Petroleum Company. In 1976, he joined Arab Shipbuilding and Repair Yard Company (ASRY) as a Deputy General Manager for administrative affairs. In 1991, he became partner with Ernst & Young, where his client profile included a variety of banks, insurance companies, retail, manufacturing and airlines. Mr. Faraj is an active founder member of several social, professional and charitable organizations, the major of which being: founder, member and president of Bahrain Accountants Association; founder member of Accounting and Auditing Organization for the GCC and Import/Export Society; and member of Arab Society of Certified Accountants, Arab Institute of Accountants and Arab Federation of Accountants and Auditors, British Institute of Management, the GCC Board of Directors Institute, Alraja School and American Mission Hospital. Mr Faraj is a Board Member of BMMI, YK Almoayyed and Sons BSC, Almoayyed International Group, Almoayyed Contracting Group, Bahrain National Holding Company and National Concrete Company WLL.

Executive Management

Mr. **Ebrahim Mohamed Abdulla Bucheery** re-joined the Company in January 2014. He currently holds the position of the General Manager. He has over 40 years of experience and held various key positions including managerial positions in the field of finance, accounting and administration in The Bahrain National Oil Company, The Bahrain National Gas Company and The Bahrain Petroleum Company. He holds Higher National Diploma in business studies from the North Staffordshire University, United Kingdom. During his working career, he was exposed to numerous conferences, seminars, courses and workshops covering wide range of fields, from accounting and insurance to management, in the USA, United Kingdom, GCC and Bahrain.

Board Meetings:

The Board met 5 times during the period from January to December, 2016. The attendance of these meetings by members was as follows:

Board Meeting No./Year	Date	Number of Members Attended	Number of Members Excused
1/2016	7th February	7	2
2/2016	16 th March	8	1
3/2016	8 th May	10	-
4/2016	18 th October	7	3
5/2016	9th November	7	3



Board Members Meeting Attendance during 2016

Board Member	Position	7th Feb	16 th March	8 th May	18 th Oct.	9 th Nov.	%age
Abdulla Hassan Buhindi	Chairman	x	x	x	x	x	100%
Jehad Yusuf Amin	Vice Chairman	x	x	x	x	x	100%
Khaled Ali Al Ameen	Member	x	x	x	x	x	100%
Mohammed Farooq Al Moayyed	Member	-	x	x	x	-	60%
Suhail Mohammed Hajee	Member	x	x	x	x	x	100%
Ammar Aqeel Mohamed	Member	x	x	x	x	x	100%
Solaiman Ahmed Al-Hoqani	Member	-	-	x	-	-	20%
Nael Jamil Hashweh	Member	x	x	x	-	-	60%
Yusuf Abdulrahman Fakhro	Member	x	x	x	-	x	80%
Redha Abdulla Ali Faraj (joined the Board on 26 April)	Member	-	-	x	x	x	100%

Board Committees:

The Board has in place an Audit Committee, which oversees the financial reporting process, reviews compliance with all relevant laws, regulations and codes of business practices, and reviews all auditing requirements. For the purpose of mitigating and managing risk, the Company appointed, with effect from January 2017, a professional consulting firm to provide internal audit service. During 2016, the Audit Committee has been entrusted with the overall responsibility for the existence of necessary internal controls. In accordance with the Corporate Governance Committee Charter, it normally meets at least four times a year, preferably once in each quarter, the meetings could also be combined with the Board meetings.

Attendance of Audit Committee

Audit Committee Members	Position	7 th Feb.	4 th May	9 th Nov.	%age
Redha Abdulla Ali Faraj (appointed to the Committee on 8 th May, 2016)	Chairman	-	-	x	100%
Ammar Aqeel Al Hassan	Vice Chairman	x	x	x	100%
Khaled Ali Al Ameen	Member	x	x	x	100%
Mohammed Farooq Al Moayyed	Member	-	x	-	33%
Yusuf Abdul Rahman Fakhroo	Member	x	x	x	100%

During 2016, and up until the completion and opening of the Company's Hotel, The Pre-opening Committee was functioning to oversee all Hotel pre-opening activities. The Committee was dissolved after the opening of the Hotel in March, 2016, as there was no further need for its function



The Board will introduce other committees in accordance with the requirement of Corporate Governance as and when feasible and commensurate with its organizational development and necessity for compliance.

Company Secretary:

The role of Company Secretary is delegated to the General Manager, who also acts as a secretary for Board committees. Meeting minutes are maintained and all resolutions are documented.

Internal and External Auditing:

The Board recognizes its responsibility for the internal control in the Company. Despite the fact that policies and procedures within the framework of internal control will need to be developed in future along with the organizational development of the Company. Nevertheless, since the opening of the Hotel in March, 2016, the Board recognized the added responsibility and additional reporting requirements for the Hotel. Accordingly, it has added to the external auditor engagement further mandate to cater for the auditing and reporting of the Hotel operations. Grant Thornton - Abdulaal continued as the External Auditors of the Company. Their audit fees for the Year amounted to BD. 6,000. The external auditors did not provide any non-audit services during the year. Additionally, the function of internal auditing was outsourced from a professional consulting firm, KPMG Fakhro, with effect from January, 2017. The engagement has been signed for two years and the audit fees amounted to BD. 13,000 per year. The engagement will cover internal audit services, including the review of internal controls and procedures.

Insider Trading and Key Person Dealing Policies:

The Company has in place these policies and their related procedures. Insiders and Key Persons have been made aware of their responsibilities under these policies and the procedures to be followed to comply with them.

The Board ensures that any director conflict of interest related to any transaction to be decided by the Board is dealt with in accordance with business ethical guidelines. In this respect, any Board director who would have a conflict of interest in relation to any matter discussed by or decided upon by Board, would be excluded from the decision making process. Related party transactions are carried out in accordance with guidelines issued by respective regulatory authorities and in compliance with the respective laws and the Company Memorandum & Articles of Association. These transactions are disclosed in the Company Financial Statements.

Remuneration and Bonus Shares:

The Company has in place a remuneration and nomination policy, and aiming to establish related committees. It is guided by the stipulations of its Memorandum and Articles of Association in as far as Board member remunerations are concerned. Directors are only remunerated with nominal sitting fees for attending Board and committee meetings. Board and committee members received a total of BD.18,800, for this purpose, during 2016.

Corporate Governance Code Non-Compliance:

As per **Principle 8** of the Code, the Board shall report to the shareholders on the Company's compliance with its **Rules and Guides**, and explain the extent and justification of any non-compliance.