

**Banader Hotels Company BSC**

Financial Statements

For The Year Ended 31 December 2007

## **Chairman's Report**

To the Shareholders of Banader Hotels Company BSC

It is my pleasure to present to you the second annual report on your Company's activities which also contains the audited annual financial statements for the year ended 31 December 2007.

I am pleased to inform you that, during 2007, the Board of Directors of the Company undertook various activities relating to the construction of the proposed hotel in Manama.

Mohammed Salahuddin Contracting and Engineering Bureau (MSCEB) finalised the preparation of the design work which were discussed and consequently approved by the Board. Also the budget for the hotel project was presented to the Board by MSCEB which will be around 30 Million Bahrain Dinars. Additionally, the Company has signed a contract for the interior design and decoration work with Messrs Galal Mahmood, interior designers.

During 2007 we received bids for the piling and enabling work for the project from a number of contractors, and these bids were studied by both the project managers, Nassar Engineering Services and the Project Committee of the Company, and the choice was made, taking into consideration many factors such as experience, goodwill, cost and the period of work.

As for the main construction job of the hotel, MSCEB have been working closely with Board on this matter, and a list of main contractors for the building of the hotel have been presented to the Board recently in order to prepare a short list. The design engineers will soon receive bids from those chosen and we hope that we can start the work as soon as this is done.

In this regard, we wish to remind our shareholders that the hotel project will be constructed on a plot owned by the Company in central Manama over an area of 4302 square meters next to the Batelco building near Bab Al Bahrain.

We also wish to assure our shareholders that the Board of Directors is endeavoring to quickly commence the construction works so as to achieve quick returns for the shareholders in the shortest time possible.

Finally, we wish to extend our thanks and gratitude to all the authorities in general and particularly to the Central Bank of Bahrain, the Ministry of Industry and Commerce, the Bahrain Stock Exchange and the Ministry of Information for all the assistance and support given by them in order to execute this project, which will be a land mark in the commercial centre of the Capital.

We also thank all our shareholders for their continued support, patience and understanding, and we hope to be upto their expectations.

Abdulla Hassan Bu Hindi  
Chairman  
February 2008.

## **Banader Hotels Company BSC**

**Commercial registration no.** 59045 obtained on 20 December 2005

**Board of Directors**

Mr Abdulla Hassan Buhindi	- Chairman
Mr Murad Ali Murad	- Vice-Chairman
Mr Nasser Al Nuwais	- Director
Mr Yasin Al Onaizy	- Director
Mr Sami Jalal	- Director
Mr Mohammed Almoayyed	- Director
Mr Jehad Amin	- Director
Mr Jaffar Abdulwahab Al Mansoor	- Director

**Audit Committee**

Mr Jaffar Abdulwahab Al Mansoor	- Chairman
Mr Sami Jalal	- Vice-Chairman
Mr Mohammed Almoayyed	- Memeber

**Company Secretary** Mr Abdullah Ahmed Abdulrahim

**Registered office**

Flat 13, 1st Floor, Entrance 4  
Manama Centre  
Government Avenue  
PO Box 2472  
Manama  
Kingdom of Bahrain

**Banker** Bank of Bahrain and Kuwait

**Auditors**

BDO Jawad Habib  
PO Box 787  
5<sup>th</sup> Floor, UGB Tower  
Diplomatic Area  
Kingdom of Bahrain



**BDO Jawad Habib**  
Public Accountants  
Management Consultants  
CR No. 10201

5th floor UGB Tower  
PO Box 787 Manama  
Kingdom of Bahrain  
Telephone (973) 17530077  
Facsimile (973) 17530088  
www.bdojawadhabib.com

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANADER HOTELS COMPANY BSC

We have audited the accompanying financial statements of Banader Hotels Company BSC ("the Company"), which comprise the balance sheet as at 31 December 2007, the statement of income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Company for the period ended 31 December 2006 were audited by another auditor whose report dated 27 February 2007 expressed an unqualified opinion on those statements.

### **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.

### **Auditor's 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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Report on other legal and regulatory requirements**

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

- 1) we have obtained all the information we considered necessary for the purpose of our audit;
- 2) the Company has maintained proper books of accounts and the financial statements are in agreement therewith; and
- (3) the financial information included in the Directors' report is consistent with the books of account of the Company.

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 of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2007.


*BDO Jawad Habib*


Manama, Kingdom of Bahrain  
7 February 2008

**Banader Hotels Company BSC**  
**Balance sheet as at 31 December 2007**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	<u>3,651,544</u>	<u>3,256,738</u>
<b>Current assets</b>			
Prepayments and other receivables	3	198,240	41,237
Cash and cash equivalents	4	<u>5,773,693</u>	<u>5,995,530</u>
		<u>5,971,933</u>	<u>6,036,767</u>
<b>Total assets</b>		<u>9,623,477</u>	<u>9,293,505</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	6	7,500,000	7,500,000
Share capital received in advance	6	1,500,000	1,500,000
Statutory reserve	7	49,823	18,840
Retained earnings		<u>448,408</u>	<u>169,558</u>
		<u>9,498,231</u>	<u>9,188,398</u>
<b>Current liabilities</b>			
Accruals and other payables	5	<u>125,246</u>	<u>105,107</u>
<b>Total equity and liabilities</b>		<u>9,623,477</u>	<u>9,293,505</u>

These financial statements were approved by the Board of Directors on 7 February 2008 and signed on its behalf by:

  
 Abdulla Hassan Buhindi  
 Chairman

  
 Murad Ali Murad  
 Vice-Chairman


The accounting policies on pages 6 to 8 and the notes on pages 9 to 16 form an integral part of these financial statements.

**Banader Hotels Company BSC**  
**Statement of income for the year ended 31 December 2007**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	Year ended 31 December <u>2007</u>	Period from 20 December 2005 to 31 December <u>2006</u>
Other income	8	<u>376,790</u>	<u>315,904</u>
<b>Expenses</b>			
Staff costs		(16,938)	(12,853)
Share issue and set-up costs		-	(85,907)
General and administrative expenses		(46,451)	(26,349)
Depreciation	2	<u>(3,568)</u>	<u>(2,397)</u>
		<u>(66,957)</u>	<u>(127,506)</u>
<b>Net profit for the year transferred to retained earnings</b>		<u>309,833</u>	<u>188,398</u>
<b>Earnings per share</b>	10	<u>3.44 fils</u>	<u>2.09 fils</u>

These financial statements were approved by the Board of Directors on 7 February 2008 and signed on its behalf by:

  
 \_\_\_\_\_  
 Abdulla Hassan Buhindi  
 Chairman

  
 \_\_\_\_\_  
 Murad Ali Murad  
 Vice-Chairman

The accounting policies on pages 6 to 8 and the notes on pages 9 to 16 form an integral part of these financial statements.

**Banader Hotels Company BSC**  
**Statement of changes in shareholders' equity for the year ended 31 December 2007**  
**(Expressed in Bahrain Dinars)**

	Notes	Share capital	Share capital received in advance	Statutory reserve	Retained earnings	Total
Share capital issued	6	7,500,000	-	-	-	7,500,000
Share application money received in advance	6	-	1,500,000	-	-	1,500,000
Net profit for the period		-	-	-	188,398	188,398
Transferred to statutory reserve	7	-	-	18,840	(18,840)	-
At 31 December 2006		<u>7,500,000</u>	<u>1,500,000</u>	<u>18,840</u>	<u>169,558</u>	<u>9,188,398</u>
At 1 January 2007	6	7,500,000	1,500,000	18,840	169,558	9,188,398
Net profit for the year		-	-	-	309,833	309,833
Transferred to statutory reserve	7	-	-	30,983	(30,983)	-
At 31 December 2007		<u>7,500,000</u>	<u>1,500,000</u>	<u>49,823</u>	<u>448,408</u>	<u>9,498,231</u>

The accounting policies on pages 6 to 8 and the notes on pages 9 to 16 form an integral part of these financial statements.



**Banader Hotels Company BSC**  
**Statement of cash flows for the year ended 31 December 2007**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	Year ended 31 December <u>2007</u>	Period from 20 December 2005 to 31 December <u>2006</u>
<b>Operating activities</b>			
Net profit for the year/period		309,833	188,398
Adjustments for:			
Depreciation	2	3,568	2,397
Bank interest income	8	(303,434)	(282,466)
Adjustment for reclassification of freehold land		9,573	-
Changes in operating assets and liabilities:			
Prepayments and other receivables		(157,003)	(41,237)
Accruals and other payables		<u>20,139</u>	<u>105,107</u>
Net cash used in operating activities		<u>(117,324)</u>	<u>(27,801)</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(208)	(3,075,565)
Expenditure incurred on capital work-in- progress		(407,739)	(183,570)
Bank interest income received	8	<u>303,434</u>	<u>282,466</u>
Net cash used in investing activities		<u>(104,513)</u>	<u>(2,976,669)</u>
<b>Financing activities</b>			
Proceeds from share capital issued	6	-	7,500,000
Share application money received in advance	6	-	<u>1,500,000</u>
Net cash provided by financing activities		-	<u>9,000,000</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(221,837)	5,995,530
Cash and cash equivalents, beginning of the year/period		<u>5,995,530</u>	-
Cash and cash equivalents, end of the year/period	4	<u>5,773,693</u>	<u>5,995,530</u>

The accounting policies on pages 6 to 8 and the notes on pages 9 to 16 form an integral part of these financial statements.

## **Banader Hotels Company BSC**

### **Significant accounting policies**

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below:

#### **1 Basis of preparation**

The financial statements have been prepared in accordance with the International Financial Reporting Standards as promulgated by the International Accounting Standards Board and interpretations issued by the Financial Reporting Interpretations Committee and the requirements of the Bahrain Commercial Companies Law. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

#### **Standards, amendments and interpretations effective in 2007**

IFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of Financial Statements – Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to trade and other payables.

#### **Standards, amendments and interpretations effective in 2007 but not relevant**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007, but are not relevant to the Company's operations:

- IFRS 4, 'Insurance Contracts';
- IFRIC 7, 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies'; and
- IFRIC 9, 'Re-assessment of Embedded Derivatives'.

#### **2 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation, except for freehold land which is not depreciated. Cost includes all costs directly attributed to bringing the asset to working condition for its intended use.

Depreciation is calculated to write-off the cost of property, plant and equipment, to their estimated residual values, on a straight-line basis over their expected useful lives as follows:

Office equipment	5 years
Motor vehicles	5 years

Freehold land is not depreciated as it is deemed to have an infinite life.

**Banader Hotels Company BSC**  
**Significant accounting policies (continued)**

**2 Property, plant and equipment (continued)**

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written-down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining net profit.

Repairs and renewals are charged to the statement of income when the expenditure is incurred.

**3 Provisions**

The Company recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events, and a reasonable estimate of the obligation can be made.

**4 Employee benefits**

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised 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. This is a defined contribution pension plan and the Company's contributions are charged to the statement of income in the year to which they relate. In respect of this plan, the Company has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Company accrues for its liability in this respect on an annual basis.

**5 Leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

**6 Bank interest income**

Bank interest income includes interest on short-term deposits with banks which is accounted for on an accruals basis, unless collectability is in doubt.

**Banader Hotels Company BSC**  
**Significant accounting policies (continued)**

**7 Foreign currency transactions**

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income.

**8 Cash and bank balances**

Cash and cash equivalents comprise cash on hand, bank balances and bank fixed deposits with original maturities of three months or less.

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2007**

**1 Organisation and activities**

Banader Hotels Company BSC ("the Company") is a public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 59045 obtained on 20 December 2005.

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

The registered office of the Company is in the Kingdom of Bahrain.

**2 Property, plant and equipment**

	<u>Freehold land</u> BD	<u>Office equipment</u> BD	<u>Motor vehicles</u> BD	<u>Capital work-in- progress</u> BD	<u>Total</u> BD
<u>Cost</u>					
At 1 January 2007	3,057,886	12,904	4,775	183,570	3,259,135
Additions	-	208	-	407,739	407,947
Adjustments	<u>(9,573)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,573)</u>
At 31 December 2007	<u>3,048,313</u>	<u>13,112</u>	<u>4,775</u>	<u>591,309</u>	<u>3,657,509</u>
<u>Accumulated depreciation</u>					
At 1 January 2007	-	1,688	709	-	2,397
Charge for the year	<u>-</u>	<u>2,609</u>	<u>959</u>	<u>-</u>	<u>3,568</u>
At 31 December 2007	<u>-</u>	<u>4,297</u>	<u>1,668</u>	<u>-</u>	<u>5,965</u>
<u>Net book amount</u>					
At 31 December 2007	<u>3,048,313</u>	<u>8,815</u>	<u>3,107</u>	<u>591,309</u>	<u>3,651,544</u>
At 31 December 2006	<u>3,057,886</u>	<u>11,216</u>	<u>4,066</u>	<u>183,570</u>	<u>3,256,738</u>

Capital work-in-progress represents expenditure incurred on consultancy fees paid to the hotel manager and architect's fees paid for the construction of the hotel and residential complex at Bab-Al-Bahrain, Manama, Kingdom of Bahrain.

The Company operates from premises leased at a monthly rental of BD599 (2006: BD599 per month).

The Company has not obtained any professional valuation of the freehold land as at 31 December 2007. In accordance with a valuation performed in 2006 the market value of the freehold land is BD5,788,610.

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2007**

**3 Prepayment and other receivables**

	31 December <u>2007</u>	31 December <u>2006</u>
	BD	BD
Prepaid expenses	762	766
Accrued interest on fixed deposits	124,122	22,543
Parking fees	<u>73,356</u>	<u>17,928</u>
	<u>198,240</u>	<u>41,237</u>

Prepayments and other receivables are current and the carrying amounts disclosed above reasonably approximate their fair values as at 31 December 2007. The Company does not hold any collateral as security.

**4 Cash and cash equivalents**

	31 December <u>2007</u>	31 December <u>2006</u>
	BD	BD
Cash on hand	233	35
Current account balance with a bank	236,401	138,124
Fixed deposits	<u>5,537,059</u>	<u>5,857,371</u>
	<u>5,773,693</u>	<u>5,995,530</u>

The current account balance with a bank is non-interest bearing.

The fixed deposits held with the Company's banker have maturities of less than 90 days from the date of inception and earn an effective interest rate of 5% per annum (2006: between 5% and 5.5% per annum).

**5 Accruals and other payables**

	31 December <u>2007</u>	31 December <u>2006</u>
	BD	BD
Other payables	97,690	5,273
Share subscription fees	25,967	30,663
Consultancy charges payable	-	10,051
Land registration fees payable	-	57,886
Accrued expenses	<u>1,589</u>	<u>1,234</u>
	<u>125,246</u>	<u>105,107</u>

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2007**

**5 Accruals and other payables (continued)**

The other payables are normally settled within 60 days of suppliers' invoice date.

The carrying amounts of accruals and other payables disclosed above reasonably approximate their fair values as at 31 December 2007.

**6 Share capital and share capital received in advance**

	31 December 2007 <u>BD</u>	31 December 2006 <u>BD</u>
<b>Authorised:</b>		
300,000,000 ordinary shares of BD0.100 each (2006: 300,000,000 ordinary shares of BD0.100 each)	<u>30,000,000</u>	<u>30,000,000</u>
<b>Issued:</b>		
150,000,000 ordinary shares of BD0.100 each (2006: 150,000,000 ordinary shares of BD0.100 each)	<u>15,000,000</u>	<u>15,000,000</u>
<b>Called and fully paid-up:</b>		
150,000,000 ordinary shares of BD0.050 each (2006: 150,000,000 ordinary shares of BD0.050 each)	<u>7,500,000</u>	<u>7,500,000</u>
<b>Share capital received in advance:</b>		
30,000,000 ordinary shares of BD0.050 each (2006: 30,000,000 ordinary shares of BD0.050 each)	<u>1,500,000</u>	<u>1,500,000</u>

The Company issued 150 million shares, out of which 90 million shares were subscribed by the founder members. The remaining 60 million shares were offered to the public through an initial public offering. The Company has called up 50% of the shares at a par value of 100 fils per share as at 31 December 2007, which has been fully paid for by the shareholders.

Out of total 90 million shares issued to founder members, 30 million shares of a par value of BD3 million were issued to Bahrain Maritime & Mercantile International BSC (BMMI). BMMI has entered into a sale agreement with the Company to transfer the freehold land valued at BD3 million in exchange of these shares. The called-up value of BD1.5 million has been considered as share capital and remaining amount of BD1.5 million as share capital received in advance.

**Banader Hotels Company BSC**

Notes to the financial statements for the year ended 31 December 2007

**6 Share capital and share capital received in advance (continued)****Additional information on shareholding pattern**

- i) The names and nationalities of the major shareholders and the number of shares held in which they have an interest of 5% or more outstanding shares are as follows:

	Nationality	Number of shares	Percentage of shareholding interest
Bahrain Maritime & Mercantile International BSC	Bahraini	39,991,216	26.66%
Rotana for Hotel Management	Bahraini	11,250,000	7.50%
General public	Various	<u>98,758,784</u>	<u>65.84%</u>
		<u>150,000,000</u>	<u>100.00%</u>

- ii) The Company has only one-class of equity shares and the holders of the shares have equal voting rights.

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

	<u>2007</u>		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,760	68,035,862	45.36%
1% up to less than 5%	12	30,722,922	20.48%
5% up to less than 10%	1	11,250,000	7.50%
10% up to less than 20%	-	-	-
20% up to less than 50%	<u>1</u>	<u>39,991,216</u>	<u>26.66%</u>
	<u>3,777</u>	<u>150,000,000</u>	<u>100.00%</u>



**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2007**

**6 Share capital and share capital received in advance (continued)**

	<u>2006</u>		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	4,173	73,679,907	49.12%
1% up to less than 5%	12	27,267,705	18.18%
5% up to less than 10%	1	11,250,000	7.50%
20% up to less than 50%	<u>1</u>	<u>37,802,388</u>	<u>25.20%</u>
	<u>3,777</u>	<u>150,000,000</u>	<u>100.00%</u>

iv) The percentage of shares held by the Directors to the total number of shares at 31 December 2007 was 1.18% (2006: 1.02%).

**7 Statutory reserve**

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the share capital is set aside. During the year, an amount of BD30,983 has been transferred to the statutory reserve (2006: BD18,840).

**8 Other income**

	Year ended 31 December <u>2007</u> BD	Period from 20 December 2005 to 31 December <u>2006</u> BD
Bank interest income	303,434	282,466
Parking fees	<u>73,356</u>	<u>33,438</u>
	<u>376,790</u>	<u>315,904</u>

**Banader Hotels Company BSC**

**Notes to the financial statements for the year ended 31 December 2007**

**9 Employees' terminal benefits**

Local employees

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the General Organisation for Social Insurance in the Kingdom of Bahrain for the year ended 31 December 2007 amounted to BD1,358 (2006: BDNil).

Number of staff

The number of staff employed by the Company at 31 December 2007 was 3 (2006: 2).

**10 Earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued during the year/period.

	Year ended 31 December <u>2007</u> BD	Period from 20 December 2005 to 31 December <u>2006</u> BD
Net profit attributable to shareholders	<u>BD309,833</u>	<u>BD188,398</u>
Weighted average number of ordinary shares shares	<u>90,000,000</u>	<u>90,000,000</u>
Earnings per share	<u>3.44 fils</u>	<u>2.09 fils</u>

The Company does not have any potentially dilutive ordinary shares, hence the diluted earnings per share and basic earnings per share are identical.

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2007**

**11 Commitments**

**Operating lease commitments**

The minimum lease commitments under non-cancellable operating leases are as follows:

	31 December <u>2007</u>	31 December <u>2006</u>
	BD	BD
Not later than one year	599	7,188
Later than one year and not later than five years	<u>-</u>	<u>599</u>
	<u>599</u>	<u>7,787</u>

**Capital commitments**

Commitments on capital work-in-progress at 31 December 2007 and 31 December 2006 were as follows:

	31 December <u>2007</u>	31 December <u>2006</u>
	BD	BD
Management and consultancy fees	184,260	178,506
Architect fees	<u>244,155</u>	<u>434,560</u>
	<u>428,415</u>	<u>613,066</u>

**12 Proposed dividend and directors' remuneration**

The Board of Directors do not propose to pay Directors' fees and dividends for the year ended 31 December 2007 (2006: Directors' fees of BDNil and dividends of BDNil).

**13 Related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Transactions with related parties are conducted in the normal course of business and are authorised by management.

**Transactions with key management personnel**

Key management personnel of the Company comprises of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. There was no remuneration paid to, and no significant expenses paid on behalf of the Directors during the year ended 31 December 2007.

**Banader Hotels Company BSC**

**Notes to the financial statements for the year ended 31 December 2007**

**14 Financial assets and liabilities and risk management**

**Financial assets and liabilities** carried on the balance sheet include cash and cash equivalents, fixed deposits, prepayments and other receivables and accruals and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**Interest rate risk** is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's fixed deposits earn fixed rates of interest, the renegotiation for which only occurs when the fixed deposits are renewed on maturity. The Company's other assets and liabilities are not sensitive to interest rate risk.

**Credit risk** is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with a national bank with a good credit rating. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

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

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

**Fair value** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of the Company's financial assets and liabilities are not materially different from their carrying amounts.

**15 Comparative figures**

Certain comparative figures of the previous year have been reclassified, whenever necessary to conform with the current year presentation. Such regrouping does not affect net worth or net profit for the previous year.

The statements of income, changes in shareholders' equity, cash flows and related notes are not comparable with the prior year figures since prior year figures were for the period from 20 December 2005 to 31 December 2006.