

**Banader Hotels Company BSC**

**Financial Statements For The  
Year Ended 31 December 2008**

## Chairman's Report

To the Shareholders of Banader Hotels Company BSC

It is my pleasure to present to you the third annual report on Banader Hotel Company activities which also contains the audited annual financial statements for the year ended on 31<sup>st</sup> December 2008.

During 2008 the Board of Directors continued its efforts and took all necessary steps to start the construction of the proposed hotel to be built in central Manama on a plot owned by the Company over an area of 4302 square meters next to Batelco Building near Bab Al Bahrain.

The Company's expenses during 2008 were all of normal nature, being the payment of consultancy fees and administration expenses.

During 2008 the Board of Directors worked closely with Nassar Engineering Services and Mohammad Salahuddin Contracting and Engineering Bureau (MSCEB) and undertook various activities which are summarized as follows:

1. Completion of the Enabling works based on the agreement signed with Magdalena Construction Company.
2. Signed an agreement with Tabreed on cooling water for the hotel.
3. Based on the preparation and contacts made with short listed contractors to build the hotel, the Company received bids from seven Contractors .Bids costs ranged between BD 28,000,000 and BD 44,000,000. The lowest bid was selected after review and negotiations with the three lowest bidders.
4. Due to the increase of project cost from BD 32,000,000 in 2006 to BD 40,445,000 in 2008 as a result of the increase of building materials, the Board of Directors called for extra ordinary General Assembly meeting in June 2008 to approve the new cost for the project. The shareholders in this meeting agreed to increase the capital by 50% equivalent to BD 7,500,000 and borrow BD 20,500,000 to proceed with the construction



5. The Company also entered into an agreement with a subcontractor for piling work which is expected to be completed shortly.
6. Necessary formalities with local authorities on obtaining permits to start the project had also been completed.

The Board of Directors wishes to assure the shareholders that it will not spare any time or efforts to achieve their expectations of building the hotel which will be the land mark in the commercial center of Manama..

Finally, we wish to extend our thanks and gratitude to all authorities in general and particularly to the Central Bank of Bahrain, The Ministry of Industry and Commerce and the Bahrain Stock exchange. Our thanks is also extended to Mohammad Salahuddin Contracting and Engineering Bureau (MSCEB) and Nassar Engineering Services for their support and efforts.

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

Abdulla Hassan Bu Hindi

Chairman

January 2009

**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	- Member

**Company Secretary** Mr Jassim 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  
Kuwait Finance House

**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 2008, 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.

### **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 2008, 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 2008.


*BDO Jawad Habib*

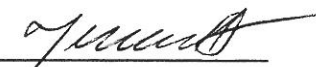
Manama, Kingdom of Bahrain  
27 January 2009

**Banader Hotels Company BSC**  
**Balance sheet as at 31 December 2008**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	<u>3,976,142</u>	<u>3,651,544</u>
<b>Current assets</b>			
Prepayments and other receivables	3	76,461	117,609
Cash and cash equivalents	4	<u>5,644,301</u>	<u>5,854,324</u>
		<u>5,720,762</u>	<u>5,971,933</u>
<b>Total assets</b>		<u>9,696,904</u>	<u>9,623,477</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	62,534	49,823
Retained earnings		<u>562,809</u>	<u>448,408</u>
		<u>9,625,343</u>	<u>9,498,231</u>
<b>Current liabilities</b>			
Accruals and other payables	5	<u>71,561</u>	<u>125,246</u>
<b>Total equity and liabilities</b>		<u>9,696,904</u>	<u>9,623,477</u>

These financial statements were approved by the Board of Directors on 27 January 2009 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 2008**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Other income	9	<u>206,313</u>	<u>376,790</u>
<b>Expenses</b>			
Staff costs		(20,301)	(16,938)
General and administrative expenses		(55,053)	(46,347)
Finance costs	10	(103)	(104)
Depreciation	2	<u>(3,744)</u>	<u>(3,568)</u>
		<u>(79,201)</u>	<u>(66,957)</u>
<b>Net profit for the year transferred to retained earnings</b>		<u>127,112</u>	<u>309,833</u>
<b>Earnings per share</b>	11	<u>1.41 fils</u>	<u>3.44 fils</u>

These financial statements were approved by the Board of Directors on 27 January 2009 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 2008**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>Share capital</u>	<u>Share capital received in advance</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
At 1 January 2007		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	-	-	<u>30,983</u>	<u>(30,983)</u>	-
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>
At 1 January 2008		7,500,000	1,500,000	49,823	448,408	9,498,231
Net profit for the year		-	-	-	127,112	127,112
Transferred to statutory reserve	7	-	-	<u>12,711</u>	<u>(12,711)</u>	-
At 31 December 2008		<u>7,500,000</u>	<u>1,500,000</u>	<u>62,534</u>	<u>562,809</u>	<u>9,625,343</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 2008**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<b>Operating activities</b>			
Net profit for the year		127,112	309,833
Adjustments for:			
Depreciation	2	3,744	3,568
Bank interest income	9	(205,096)	(303,434)
Finance costs	10	103	104
Adjustment for reclassification of freehold land		-	9,573
Changes in operating assets and liabilities:			
Prepayments and other receivables		41,148	(76,372)
Accruals and other payables		<u>(53,685)</u>	<u>20,139</u>
Net cash used in operating activities		<u>(86,674)</u>	<u>(36,589)</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment	2	(1,130)	(208)
Expenditure incurred on capital work-in-progress		(327,212)	(407,739)
Bank interest income received	9	<u>205,096</u>	<u>303,434</u>
Net cash used in investing activities		<u>(123,246)</u>	<u>(104,513)</u>
<b>Financing activities</b>			
Finance costs paid	10	<u>(103)</u>	<u>(104)</u>
Net cash used in financing activities		<u>(103)</u>	<u>(104)</u>
<b>Net decrease in cash and cash equivalents</b>		(210,023)	(141,206)
Cash and cash equivalents, beginning of the year		<u>5,854,324</u>	<u>5,995,530</u>
Cash and cash equivalents, end of the year	4	<u>5,644,301</u>	<u>5,854,324</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, 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 2008 but not relevant***

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008, but are not relevant to the Company's operations:

- IFRIC 11, IFRS 2 – 'Group and Treasury Share Transactions' effective 1 March 2007
- IFRIC 12, 'Service Concession Arrangements' effective 1 January 2008
- IFRIC 14, IAS 19 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' effective 1 January 2008
- IFRIC 13, 'Customer Loyalty Programs' effective 1 July 2008
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' effective 1 October 2008

#### ***Standards, amendments and interpretations issued but not yet effective in 2008***

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2008 have not been early adopted by the Company:

- IFRS 1, 'First-Time Adoption of International Financial Reporting Standards' effective 1 January 2009
- IFRS 3, 'Business Combinations' effective 1 July 2009
- IAS 1 Revised, 'Presentation of Financial Statements' effective 1 January 2009
- IAS 32, 'Financial Instruments' effective 1 January 2009
- IAS 39, 'Financial Instruments' effective 1 July 2009
- IFRIC 15, 'Agreement for the Construction of Real Estate' effective 1 January 2009
- IFRS 2, 'Share-based Payment (revised)' effective 1 January 2009
- IFRS 8, 'Operating Segments' effective 1 January 2009
- IAS 23, 'Borrowing Costs' effective 1 January 2009

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

**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.

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 Other receivables**

Other receivables are carried at their anticipated realisable values. An estimate is made for impaired other receivables where, in the opinion of the management, a loss is considered probable.

**4 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.

**5 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.

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

**6 Mudaraba investments and profit**

Mudaraba investments are accounted for at cost plus margin or 'sales price.' The gains and losses, which result from mudaraba transactions, are recognised in the statement of income over the period of the related contracts. Mudaraba investments usually have maturities of less than 360 days.

**7 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.

**8 Bank interest income**

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

**9 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.

**10 Cash and bank balances**

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

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2008**

**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 2008	3,048,313	13,112	4,775	591,309	3,657,509
Additions	<u>-</u>	<u>1,130</u>	<u>-</u>	<u>327,212</u>	<u>328,342</u>
At 31 December 2008	<u>3,048,313</u>	<u>14,242</u>	<u>4,775</u>	<u>981,521</u>	<u>3,985,851</u>
<u>Accumulated depreciation</u>					
At 1 January 2008	-	4,297	1,668	-	5,965
Charge for the year	<u>-</u>	<u>2,790</u>	<u>954</u>	<u>-</u>	<u>3,744</u>
At 31 December 2008	<u>-</u>	<u>7,087</u>	<u>2,622</u>	<u>-</u>	<u>9,709</u>
<u>Net book amount</u>					
At 31 December 2008	<u>3,048,313</u>	<u>7,155</u>	<u>2,153</u>	<u>918,521</u>	<u>3,976,142</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>

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 BD658 (2007: BD599 per month).

During the year, the Company has obtained a professional valuation of the freehold land from two independent property valuers and the Company has on a conservative basis reflected the lower valuation of BD4,691,100 (2007: BD5,788,610).

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2008**

**3 Prepayments and other receivables**

	<u>2008</u>	<u>2007</u>
	BD	BD
Parking fees receivable	73,355	73,356
Accrued interest on fixed deposits	1,956	43,491
Prepaid expenses	<u>1,150</u>	<u>762</u>
	<u>76,461</u>	<u>117,609</u>

Prepayments and other receivables are current and the carrying amounts disclosed above reasonably approximate their fair values as at 31 December 2008. The Company does not hold any collateral as security.

**4 Cash and cash equivalents**

	<u>2008</u>	<u>2007</u>
	BD	BD
Cash on hand	81	233
Current account balance with a bank	53,144	236,401
Fixed deposits	2,591,058	5,617,690
Mudaraba receivables	<u>3,000,018</u>	<u>-</u>
	<u>5,644,301</u>	<u>5,854,324</u>

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

The fixed deposits held with the Company's bankers have maturities of less than 90 days from the date of inception and either earn an effective interest rate ranging between 1.6% and 5% per annum or market rates of profit (2007: between 5% and 5.5% per annum).

Mudaraba receivables represent amounts placed with a bank which have a maturity of less than 90 days. Profit from Mudaraba deposits are recognised over the period of the related investment.

**5 Accruals and other payables**

	<u>2008</u>	<u>2007</u>
	BD	BD
Other payables	50,630	97,690
Share subscription fees	20,248	25,967
Accrued expenses	<u>683</u>	<u>1,589</u>
	<u>71,561</u>	<u>125,246</u>

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

The carrying amounts of accruals and other payables disclosed above reasonably approximate their fair values as at 31 December 2008.

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2008**

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

	<u>2008</u>	<u>2007</u>
	BD	BD
<b>Authorised:</b>		
300,000,000 ordinary shares of BD0.100 each (2007: 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 (2007: 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 (2007: 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 (2007: 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 called-up 50% of the shares at a par value of 100 fils per share as in 2006, which has been fully paid for by the shareholders.

Out of the total 90 million shares issued to the 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.

**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>

**Banader Hotels Company BSC**

Notes to the financial statements for the year ended 31 December 2008

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

- 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>2008</u>		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,760	68,035,862	45.36%
Between 1% and 5%	12	30,722,922	20.48%
Between 5% and 10%	1	11,250,000	7.50%
Between 10% and 20%	-	-	-
Between 20% and 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>

	<u>2007</u>		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	4,173	73,679,907	49.12%
Between 1% and 5%	12	27,267,705	18.18%
Between 5% and 10%	1	11,250,000	7.50%
Between 10% and 20%	-	-	-
Between 20% and 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 2008 was 1.18% (2007: 1.18%).

**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 BD12,711 has been transferred to the statutory reserve (2007: BD30,983).



**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2008**

**8 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 2008 amounted to BD951 (2007: BD1,358).

Number of staff

The number of staff employed by the Company at 31 December 2008 was 3 (2007: 3).

**9 Other income**

	Year ended 31 December <u>2008</u> BD	Year ended 31 December <u>2007</u> BD
Bank interest income	205,096	303,434
Parking fees	-	73,356
Other income	<u>1,217</u>	<u>-</u>
	<u>206,313</u>	<u>376,790</u>

**10 Finance costs**

	Year ended 31 December <u>2008</u> BD	Year ended 31 December <u>2007</u> BD
Bank charges	<u>103</u>	<u>104</u>

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2008**

**11 Earnings per share**

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

	Year ended 31 December <u>2008</u> BD	Year ended 31 December <u>2007</u> BD
Net profit attributable to shareholders	<u>BD127,112</u>	<u>BD309,833</u>
Weighted average number of ordinary shares issued	<u>90,000,000</u>	<u>90,000,000</u>
Earnings per share	<u>1.41 fils</u>	<u>3.44 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.

**12 Commitments**

*Operating lease commitments*

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

	<u>2008</u> BD	<u>2007</u> BD
Not later than one year	<u>658</u>	<u>599</u>

*Capital commitments*

Commitments on capital work-in-progress at 31 December 2008 and 31 December 2007 are as follows:

	<u>2008</u> BD	<u>2007</u> BD
Management and consultancy fees	923,916	1,032,556
Architect fees	<u>16,000</u>	<u>112,000</u>
	<u>939,916</u>	<u>1,144,556</u>

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2008**

**13 Proposed dividend and directors' fees**

The Board of Directors do not propose to pay Directors' fees and dividends for the year ended 31 December 2008 (2007: Directors' fees of BDNil and dividends of BDNil).

**14 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 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 2008.

**15 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.

**Risk management** is carried out by the Finance Manager under policies approved by the Company's management. He identifies, evaluates and hedges financial risks in close co-operation with the Company's Board of Directors. The Company provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

**Capital management**

Capital comprise of ordinary shares and reserves attributable to the shareholders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2008 and 2007.

**Banader Hotels Company BSC**

Notes to the financial statements for the year ended 31 December 2008

**15 Financial assets and liabilities and risk management (continued)**

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, accruals and other payables less cash and cash equivalents. Capital includes capital and reserves attributable to the shareholders of the Company.

	2008	2007
	BD	BD
Accruals other payables	71,561	125,246
Less: cash and cash equivalents	<u>(5,644,301)</u>	<u>(5,854,324)</u>
Net debt	<u>(5,572,740)</u>	<u>(5,729,078)</u>
Share capital	7,500,000	7,500,000
Share capital received in advance	1,500,000	1,500,000
Statutory reserve	12,711	30,983
Retained earnings	<u>562,809</u>	<u>448,408</u>
Total capital	<u>9,575,520</u>	<u>9,479,391</u>
Capital and net debt	<u>4,002,780</u>	<u>3,750,313</u>
Gearing ratio	<u>          -</u>	<u>          -</u>

**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 national and multinational banks with good credit ratings. 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.

**16 Comparative figures**

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