

**Banader Hotels Company BSC**

Financial statements for the  
year ended 31 December 2009

**Banader Hotels Company BSC**  
**Financial statements for the year ended 31 December 2009**

---

<b>Index</b>	<b>Page</b>
1. Administration and contact details	2
2. Directors' report	3 - 4
3. Independent auditors' report	5
4. Statement of financial position	6
5. Statement of comprehensive income	7
6. Statement of changes in shareholders' equity	8
7. Statement of cash flows	9
8. Notes to the financial statements	10 - 21

**Banader Hotels Company BSC**  
**Administration and contact details as at 31 December 2009**

---

<b>Commercial registration no.</b>	59045 obtained on 20 December 2005	
<b>Directors</b>	Mr Abdulla Hassan Buhindi Mr Murad Ali Murad Mr Nasser Al Nuwais Mr Yasin Al Onaizy Mr Khalid Al Amin Mr Mohammed Almoayyed Mr Jehad Amin Mr Jaffar Abdulwahab Al Mansoor	- Chairman - Vice-Chairman
<b>Audit Committee</b>	Mr Jaffar Abdulwahab Al Mansoor Mr Mohammed Almoayyed Mr Khalid Al Amin	- Chairman - Vice-Chairman - Member
<b>General Co-ordinator</b>	Mr Ebrahim M. A. Bucheery	
<b>Registered office</b>	Flat 13, 1st Floor, Entrance 4 Manama Centre Government Avenue PO Box 2472 Manama Kingdom of Bahrain	
<b>Banker</b>	Bank of Bahrain and Kuwait	
<b>Auditors</b>	BDO PO Box 787 5 <sup>th</sup> Floor, UGB Tower Diplomatic Area Kingdom of Bahrain	
<b>Registrars</b>	KPMG	

## Directors' Report

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

It is my pleasure to present to you the fourth annual report on Banader Hotels Company activities during the Year 2009. This report also includes the Audited Financial Statements for the Year-ended on 31<sup>st</sup> December, 2009.

During 2009 the Board of Directors continued its effort and took all necessary steps towards the construction of the proposed hotel which is being built in Central Manama on a land property, with an area of 4302 square metres, owned by the Company, and located next to Batelco Commercial Centre near Bab Al Baharin.

The Company expenditures during 2009 were mainly incurred for the construction project work-in-progress, in addition to a normal smaller part of administrative expenses.

During 2009, the Board of Directors took two important steps. Firstly, the Company signed a contract with G.P. Zakhariades Company, as the main contractor for the construction of the hotel, and secondly, it signed a contract with International Design Engineering and Architecture (IDEA) for the management of the construction project.

Both International Design Engineering and Architecture (IDEA) and Mohamed Salahuddin Contracting and Engineering Burea (MSCEB) have been playing a major role in managing and supervising the construction project.

The following are the major activities which were performed during 2009:

1. The entire the foundation Piling Work was completed in April.
2. A decision was taken in June to change the District Cooling System to a Conventional Water-chilled Cooling System. Accordingly, the contract with Tabreed – District Cooling Company, was terminated. The works for the new system will be tendered out during the Second Quarter of 2010.
3. Signed a contract with G.P. Zakhariades Company on 10<sup>th</sup> December, for the construction of the hotel, for a value of BD.24,033,500. The work was started in December, 2009, progress is being made according to planned schedules, and the project is expected to be completed in May, 2012.

4. Major part of work related to Kitchen & Laundry Design Consultancy, for a contract value of BD. 39,500, was completed.
5. Signed a contract for Project Management Services, in July, with International Design Engineering and Architecture, for a value of BD.735,000.
6. More than 50% of the Interior Decoration Consultancy Services, the contract for which was signed in September, 2007, was completed.
7. Evaluation for bids received for Interior Design Fit-out Works is underway, and the work is expected to be contracted out during the first quarter of 2010.

The Board of Directors resolved to call up the second installment of the Company's issued capital, which will add BD. 6 million to the Company's financial resources. The process, for this purpose, has already been started.

The Board of Directors wishes to assure the Shareholders that it will continue its strive to achieve the Company's Goal and objectives, and to fulfill their aspirations, starting with building the hotel, which will become a landmark in the Commercial Centre of Manama.

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 and the Bahrain Stock Exchange in particular. The Board also wishes to thank all the parties who contributed to the achievement of the Company's goals and objectives, including the project managers International Design Engineering & Architecture, the project supervisors Mohamed Salahuddin Contracting & Engineering Bureau (MSCEB), and the Company employees, all for their support and efforts made during 2009.

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 exert its best efforts to meet their expectations.



Abdulla Hassan BuHindi  
Chairman

26<sup>th</sup> January, 2010.

## **Independent auditors' report to the shareholders of Banader Hotels Company BSC**

### **Report on the financial statements**

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

### **Directors' responsibility 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 controls relevant to the preparation and fair presentation of the 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 the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and 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, Decree Number 21 of 2001, 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 account 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, Decree Number 21 of 2001, or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2009.



Manama, Kingdom of Bahrain  
26 January 2010

96200

Banader Hotels Company BSC  
Statement of financial position as at 31 December 2009  
(Expressed in Bahrain Dinars)

	Notes	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,054,752	3,057,621
Capital work-in-progress	6	<u>2,704,006</u>	<u>918,521</u>
		<u>5,758,758</u>	<u>3,976,142</u>
<b>Current assets</b>			
Prepayments and other receivables	7	11,939	76,461
Cash and cash equivalents	8	<u>4,346,024</u>	<u>5,644,301</u>
		<u>4,357,963</u>	<u>5,720,762</u>
<b>Total assets</b>		<u>10,116,721</u>	<u>9,696,904</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	7,500,000	7,500,000
Share capital received in advance	9	1,500,000	1,500,000
Statutory reserve	10	65,681	62,534
Retained earnings		<u>591,130</u>	<u>562,809</u>
		<u>9,656,811</u>	<u>9,625,343</u>
<b>Current liabilities</b>			
Accruals and other payables	12	<u>459,910</u>	<u>71,561</u>
<b>Total equity and liabilities</b>		<u>10,116,721</u>	<u>9,696,904</u>

These financial statements, set out on pages 6 to 21, were approved for issue by the Board of Directors on 26 January 2010 and signed on its behalf by:

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

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

Banader Hotels Company BSC  
Statement of comprehensive income for the year ended 31 December 2009  
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Other income	13	<u>120,662</u>	<u>206,313</u>
<b>Expenses</b>			
Staff costs		(24,167)	(20,301)
General and administrative expenses		(60,949)	(55,053)
Finance costs	14	(229)	(103)
Depreciation	5	<u>(3,849)</u>	<u>(3,744)</u>
		<u>(89,194)</u>	<u>(79,201)</u>
<b>Net profit and total comprehensive income for the year transferred to retained earnings</b>		<u><u>31,468</u></u>	<u><u>127,112</u></u>
<b>Earnings per share</b>	15	<u><u>-</u></u>	<u><u>1 fil</u></u>



Banader Hotels Company BSC  
Statement of changes in shareholders' equity for the year ended 31 December 2009  
(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 31 December 2007		7,500,000	1,500,000	49,823	448,408	9,498,231
Total comprehensive income for the year		-	-	-	127,112	127,112
Transferred to statutory reserve	10	-	-	<u>12,711</u>	<u>(12,711)</u>	-
At 31 December 2008		7,500,000	1,500,000	62,534	562,809	9,625,343
Total comprehensive income for the year		-	-	-	31,468	31,468
Transferred to statutory reserve	10	-	-	<u>3,147</u>	<u>(3,147)</u>	-
At 31 December 2009		<u>7,500,000</u>	<u>1,500,000</u>	<u>65,681</u>	<u>591,130</u>	<u>9,656,811</u>

Banader Hotels Company BSC  
Statement of cash flows for the year ended 31 December 2009  
(Expressed in Bahrain Dinars)

	Notes	<u>2009</u>	<u>2008</u>
<b>Operating activities</b>			
Net profit for the year		31,468	127,112
Adjustments for:			
Depreciation	5	3,849	3,744
Bank interest income	13	(118,983)	(205,096)
Finance costs	14	229	103
Changes in operating assets and liabilities:			
Prepayments and other receivables		64,522	41,148
Accruals and other payables		<u>388,349</u>	<u>(53,685)</u>
Net cash provided by/(used in) operating activities		<u>369,434</u>	<u>(86,674)</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	5	(980)	(1,130)
Expenditure incurred on capital work-in-progress	6	(1,785,485)	(327,212)
Bank interest income received	13	<u>118,983</u>	<u>205,096</u>
Net cash used in investing activities		<u>(1,667,482)</u>	<u>(123,246)</u>
<b>Financing activities</b>			
Finance costs paid	14	<u>(229)</u>	<u>(103)</u>
Net cash provided by financing activities		<u>(229)</u>	<u>(103)</u>
<b>Net decrease in cash and cash equivalents</b>		(1,298,277)	(210,023)
Cash and cash equivalents, beginning of the year		<u>5,644,301</u>	<u>5,854,324</u>
Cash and cash equivalents, end of the year	8	<u>4,346,024</u>	<u>5,644,301</u>

**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 are building and investing in hotels.

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

**2 Basis of preparation**

***Statement of compliance***

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as promulgated by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001.

***Basis of presentation***

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company’s accounting policies.

***Standards, amendments and interpretations effective and adopted in 2009***

The following new standards, amendments to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2009 and have been adopted in the preparation of the financial statements:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	<i>Presentation of Financial Statements</i>	1 January 2009

***Standards, amendments and interpretations effective in 2009 but not relevant***

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009, but are not relevant to the Company’s operations:

## 2 Basis of preparation (continued)

### *Standards, amendments and interpretations effective in 2009 but not relevant (continued)*

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 23	<i>Borrowing Costs</i>	1 January 2009
IAS 32	<i>Financial Instruments: Presentation'</i>	1 January 2009
IAS 39	<i>Financial Instruments: Recognition and Measurement</i>	1 July 2009
IFRS 2	<i>Share-based Payment (revised)</i>	1 January 2009
IFRS 7	<i>Financial Instruments: Disclosures</i>	1 July 2009
IFRS 8	<i>Operating Segments</i>	1 January 2009
IFRIC 15	<i>Agreement for the Construction of Real Estate</i>	1 January 2009

### *Standards, amendments and interpretations issued but not yet effective in 2009*

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2009 have not been early adopted by the Company's management:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 27	<i>Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity</i>	1 July 2009
IFRS 3	<i>Business Combinations</i>	1 July 2009
IFRIC 17	<i>Distributions of Non-Cash Assets to Owners</i>	1 July 2009
IFRIC 18	<i>Transfers of Assets from Customers</i>	1 January 2009

## 3 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented.

### *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses with the exception of freehold land which is not depreciated. Freehold land is not depreciated as it is deemed to have an infinite life. Cost includes all costs directly attributed to bringing the asset to working condition for its intended use.

Depreciation is calculated using the straight-line method to write-off the cost of property, plant and equipment to their estimated residual values over their expected economic useful life as follows:

Office equipment	5 years
Motor vehicles	5 years

### 3 Significant accounting policies (continued)

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

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 comprehensive statement of income when the expenditure is incurred.

#### *Capital work-in-progress*

Capital work-in-progress represents expenditure incurred in setting up new commercial facilities, which are capitalised when they are put into commercial use. Depreciation on capital work-in-progress is not charged until such time as these assets are completed, transferred to the respective category of property, plant and equipment and put into commercial use.

#### *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.

#### *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligation can be reliably estimated.

#### *Employees' terminal benefits*

A provision is made for the estimated liability for annual leave and airfares as a result of services rendered by employees up to the statement of financial position date.

Employees' terminal 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 Social Insurance Organisation in the Kingdom of Bahrain.

This is a defined contribution pension plan and the contributions are charged to the comprehensive statement of income in the year to which they relate. In respect of this plan there is 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 a 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.

### 3 Significant accounting policies (continued)

#### *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 comprehensive statement of income over the period of the related contracts. Mudaraba investments usually have maturities of less than 360 days.

#### *Cash and cash equivalents*

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

#### *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 are charged to the comprehensive statement of income on a straight-line basis over the period of the lease.

#### *Bank interest income*

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

#### *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 comprehensive statement of income.

### 4 Critical accounting judgements and key source of estimation uncertainty

Preparation of the financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- economic useful lives of property, plant and equipment; and
- contingencies.

4 Critical accounting judgements and key source of estimation uncertainty (continued)

*Economic useful lives of property, plant and equipment*

The Company's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives.

Useful economic lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

*Contingencies*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

5 Property, plant, and equipment

	Freehold land	Office equipment	Motor vehicles	Total
<b>Cost</b>				
At 31 December 2007	3,048,313	13,112	4,775	3,066,200
Additions	<u>-</u>	<u>1,130</u>	<u>-</u>	<u>1,130</u>
At 31 December 2008	3,048,313	14,242	4,775	3,067,330
Additions	<u>-</u>	<u>980</u>	<u>-</u>	<u>980</u>
At 31 December 2009	<u>3,048,313</u>	<u>15,222</u>	<u>4,775</u>	<u>3,068,310</u>
<b>Accumulated depreciation</b>				
At 31 December 2007	-	4,297	1,668	5,965
Charge for the year	<u>-</u>	<u>2,790</u>	<u>954</u>	<u>3,744</u>
At 31 December 2008	-	7,087	2,622	9,709
Charge for the year	<u>-</u>	<u>2,894</u>	<u>955</u>	<u>3,849</u>
At 31 December 2009	<u>-</u>	<u>9,981</u>	<u>3,577</u>	<u>13,558</u>
<b>Net book value</b>				
At 31 December 2008	<u>3,048,313</u>	<u>7,155</u>	<u>2,153</u>	<u>3,057,621</u>
At 31 December 2009	<u>3,048,313</u>	<u>5,241</u>	<u>1,198</u>	<u>3,054,752</u>

The Company operates from premises leased at a monthly rental of BD724 (2008: BD658 per month (Note 18)).

During the year, the Company has obtained a professional valuation of the freehold land from three independent property valuers and the Company has, on a conservative basis, reflected the lower valuation of BD3,690,720 (2008: BD4,691,100).

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2009**  
**(Expressed in Bahrain Dinars)**

---

**6 Capital work-in-progress**

	31 December <u>2009</u>	31 December <u>2008</u>
Opening balance	918,521	591,309
Construction costs incurred during the year	1,098,486	-
Consultancy and architect fees	<u>686,999</u>	<u>327,212</u>
Closing balance	<u>2,704,006</u>	<u>918,521</u>

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

**7 Prepayments and other receivables**

	31 December <u>2009</u>	31 December <u>2008</u>
Parking fees receivable	-	73,355
Accrued interest on fixed deposits	6,696	1,956
Prepaid expenses	<u>5,243</u>	<u>1,150</u>
	<u>11,939</u>	<u>76,461</u>

Prepayments and other receivables are current and the carrying amounts disclosed above reasonably approximate their fair values as at 31 December 2009.

**8 Cash and cash equivalents**

	31 December <u>2009</u>	31 December <u>2008</u>
Fixed deposits	3,659,550	2,591,058
Mudaraba receivables	-	3,000,018
Current account balances with banks	686,362	53,144
Cash on hand	<u>112</u>	<u>81</u>
	<u>4,346,024</u>	<u>5,644,301</u>

The fixed deposits held with the Company's bankers have maturities of less than 90 days from the date of inception and earn effective interest rates ranging between 2.25% and 2.50% per annum (2008: between 3.2% and 3.36% per annum).

The current account balances with banks are non-interest bearing.

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.



9 Share capital and share capital received in advance

	31 December 2009	31 December 2008
<b>Authorised:</b>		
300,000,000 ordinary shares of 100 fils each (2008: 300,000,000 ordinary shares of 100 fils each)	<u>30,000,000</u>	<u>30,000,000</u>
<b>Issued:</b>		
150,000,000 ordinary shares of 100 fils each (2008: 150,000,000 ordinary shares of 100 fils each)	<u>15,000,000</u>	<u>15,000,000</u>
<b>Called and fully paid-up:</b>		
150,000,000 ordinary shares of 100 fils each -50 fils paid up (2008: 150,000,000 ordinary shares of 100 fils each -50 fils paid up)	<u>7,500,000</u>	<u>7,500,000</u>
<b>Share capital received in advance:</b>		
30,000,000 ordinary shares of 100 fils each -50 fils paid up (2008: 30,000,000 ordinary shares of 100 fils each -50 fils paid up)	<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 par value of 100 fils per share, 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 for 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 and number of shares held by the major shareholders individually holding 5% and more of the issued share capital are as follows:

	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
Bahrain Maritime & Mercantile International BSC	Bahraini	41,285,222	27.52%
Sulaiman Ahmed Saeed Al Hoqani	Emirati	14,913,849	9.94%
Rotana for Hotels Management	Bahraini	11,250,000	7.50%
General public	Various	<u>82,550,929</u>	<u>55.04%</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.

9 Share capital and share capital received in advance (continued)

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

	<u>31 December 2009</u>		
	<u>Number of</u> <u>shareholders</u>	<u>Number</u> <u>of shares</u>	<u>Percentage</u> <u>of total</u> <u>outstanding</u> <u>shares</u>
Less than 1%	3,364	57,898,183	38.60%
1% up to less than 5%	13	24,652,746	16.44%
5% up to less than 10%	2	26,163,849	17.44%
10% up to less than 50%	<u>1</u>	<u>41,285,222</u>	<u>27.52%</u>
	<u>3,380</u>	<u>150,000,000</u>	<u>100.00%</u>

  

	<u>31 December 2008</u>		
	<u>Number of</u> <u>shareholders</u>	<u>Number</u> <u>of shares</u>	<u>Percentage</u> <u>of total</u> <u>outstanding</u> <u>shares</u>
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 50%	<u>1</u>	<u>39,991,216</u>	<u>26.66%</u>
	<u>3,774</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 2009 was 2.37% (2008: 1.18%).

10 Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law Decree Number 21 of 2001, 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 issued share capital is set aside. During the year, an amount of BD3,147 has been transferred to the statutory reserve (2008: BD12,711).

11 Employees' terminal benefits

*Local employees*

The contributions made by the Company towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2009 amounted to BD1,664 (2008: BD951).

	<u>31 December</u> <u>2009</u>	<u>31 December</u> <u>2008</u>
Number of staff employed by the Company	<u>3</u>	<u>3</u>

Banader Hotels Company BSC  
Notes to the financial statements for the year ended 31 December 2009  
(Expressed in Bahrain Dinars)

12 Accruals and other payables

	31 December 2009	31 December 2008
Other payables	330,183	50,630
Retention payable	107,623	-
Share subscription fees	19,375	20,248
Accrued expenses	<u>2,729</u>	<u>683</u>
	<u>459,910</u>	<u>71,561</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 2009.

13 Other income

	31 December 2009	31 December 2008
Bank interest income	118,983	205,096
Miscellaneous income	<u>1,679</u>	<u>1,217</u>
	<u>120,662</u>	<u>206,313</u>

14 Finance costs

	31 December 2009	31 December 2008
Bank charges	<u>229</u>	<u>103</u>

15 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 2009	Year ended 31 December 2008
Net profit attributable to shareholders	<u>31,468</u>	<u>127,112</u>
Weighted average number of ordinary shares issued	<u>90,000,000</u>	<u>90,000,000</u>
Earnings per share	<u>-</u>	<u>1 fil</u>

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

**16 Proposed dividend and directors' fees**

The Board of Directors does not propose to pay dividends or directors fees for the year ended 31 December 2009 (2008: Dividends of BDNil and directors' fees of BDNil). This is subject to the approval of shareholders in the Annual General Meeting.

**17 Transactions and balances with related parties**

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 the management.

**Transactions with key management personnel**

Key management personnel of the Company comprise 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 expenses paid on behalf of, the Directors during the year ended 31 December 2009 (2008: BDNil).

There were no other related party transactions during the year ended 31 December 2009 (2008: BDNil).

**18 Capital commitments**

***Operating lease commitments***

The minimum lease commitments under non-cancellable operating leases (Note 5) are as follows:

	31 December <u>2009</u>	31 December <u>2008</u>
Not later than one year	<u>724</u>	<u>658</u>

***Capital commitments***

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

	31 December <u>2009</u>	31 December <u>2008</u>
Construction costs	24,033,500	-
Project management, engineering and consultancy fees	1,355,780	923,916
Architect fees	<u>-</u>	<u>16,000</u>
	<u>25,389,280</u>	<u>939,916</u>

## 19 Subsequent events

On 26 January 2010, the Board of Directors ratified the resolution, passed previously by circulation, for calling up the balance 50% of the issued share capital of the Company from the shareholders.

## 20 Segmental information

The Company's activities are restricted to building and investing in hotels. As the Company has not commenced commercial operations, 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.

## 21 Financial assets and liabilities and risk management

**Financial assets and liabilities** carried on the statement of financial position include cash and cash equivalents, 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 Department of the Company under policies approved by the Directors. The Company's Finance Department evaluates and hedges financial risks in close co-operation with the Company's operating units. The Directors' provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rates, credit risk and investment of excess liquidity.

### Capital management

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 the light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2009 and 2008.

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 share capital, share capital received in advance and reserves attributable to the shareholders of the Company.

21 Financial assets and liabilities and risk management (continued)

	31 December 2009	31 December 2008
Accruals and other payables	459,910	71,561
Less: cash and cash equivalents	<u>(4,346,024)</u>	<u>(5,644,301)</u>
Net debt	<u>(3,886,114)</u>	<u>(5,572,740)</u>
Share capital	7,500,000	7,500,000
Share capital received in advance	1,500,000	1,500,000
Statutory reserve	65,681	62,534
Retained earnings	<u>591,130</u>	<u>562,809</u>
Total capital	<u>9,656,811</u>	<u>9,625,343</u>
Total capital and net debt	<u>5,770,697</u>	<u>4,052,603</u>
Gearing ratio	<u>-</u>	<u>-</u>

The Company does not have any net debt at 31 December 2009 and 2008. Accordingly the gearing ratio has not been calculated.

**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. As the Company does not have any trade receivables, the credit risk is considered as minimal by management.

**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.

**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.

22 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.