

**Banader Hotels Company BSC**

Financial statements for the  
year ended 31 December 2010

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**Financial statements for the year ended 31 December 2010**

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<b>Index</b>	<b>Page</b>
1. Administration and contact details	2
2. Directors' report	3 - 4
3. Independent auditor's 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 - 22

**Banader Hotels Company BSC**  
**Administration and contact details as at 31 December 2010**

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<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 Jihad Amin Mr Jaffar Abdulwahab Al-Mansoor	- Chairman - Vice-Chairman
<b>Audit Committee</b>	Mr Jaffar Abdulwahab Al-Mansoor Mr Khalid Al-Amin Mr Mohammed Almoayyed	- Chairman - Vice-Chairman
<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 2474 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 PO Box 710 Manama Kingdom of Bahrain	

## Directors' Report

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

It is my pleasure to present to you the fifth annual report on Banader Hotels Company activities during the Year 2010. This report also includes the Audited Financial Statements for the Year-ended on 31<sup>st</sup> December, 2010.

During 2010 the Board of Directors continued its effort and took all necessary steps towards the construction of the proposed Banader-Rotana Five-Star hotel which is being built in Central Manama on a land property with an area of 4286 square metres, owned by the Company, and located next to Batelco Commercial Centre near Bab Al Baharin.

The Company expenditures during 2010 were mainly incurred for the construction project work-in-progress, in addition to a normal smaller part of administrative expenses. The Year 2010 was characterized by rigorous effort on the part of the Board of Directors and other Board Committees as represented by the extraordinary number of meetings held during the year. The total remuneration of sitting fees amounted to BD. 20,800.

During 2010, the Board of Directors continued to closely monitor the construction of the hotel. It also continued to oversee the work of the three main parties involved in the construction project, namely, G.P.Zachariades (the main contractor), International Design Engineerin and Architecture (the project managers) and Mohamed Salahuddin Contracting and Engineering Burea (the lead consultants).

The construction work, which started in December 2009 with the signing of the main contract in the same month, is progressing well towards the expected completion date of May 2012. The main contract, which was signed for BD. 24,033,500, covered the main structural work, Finishes, the provisional Interior Decoration (I.D.) works and the Mechanical, Electrical & Plumbing (MEP) works.

The following are the other major activities on the project which were performed during 2010:

1. About 55% of the structural concreting work has been completed by the end of December, 2010. The slab concreting has reached the 8<sup>th</sup> floor. The net delay on the project, as at 31<sup>st</sup> December, 2010 is 78 days, which is expected to be totally mitigated as the project progresses, and the project is expected to be completed as planned.
2. As the Company made a decision to change the District Cooling System to a Conventional Water-chilled Cooling System, the contract with Tabreed Bahrain (Bahrain District Cooling Company), was terminated. The supply of the chillers, as components of the the new system, was tendered out during the year, and was awarded to Awal Products / Shaheen Group for BD. 249,150 in January, 2011.
3. The supply of Kitchen & Laundry Equipment was tendered out in June, 2010, and was awarded in November, 2010 for BD. 1,189,036 to Bahrain Electromechanical Services Company (BEMCO).
4. Following the completion of the Interior Decoration Consultancy Services, the Interior Decoration (I.D.) Fit-out work, which was first tendered out towards the end of 2009, was subject to prolonged and repeated tendering and tender analysis during 2010. This was necessary to ensure that the work is awarded to a competent contractor and at the right price. The contract for this work is expected to be awarded during the first quarter of 2011.

5. The tender for the construction of the Mock-Up Room was floated in November, 2010, and was awarded in December, 2010 for BD. 43,000 to Al Nooh Wood Design Company.
6. The Pools, Jacuzzi, Sauna & Steam work was tendered out in April, 2010, and was awarded in December, 2010 for BD. 110,557 to Gulf Leisure Company.

The Board of Directors resolved in January, 2010 to call up the second installment of BD. 6 million on 120 million shares of the Company's Issued Capital. The process, which was mainly executed by the Company, and was started in February, 2010, was very successful as a total of BD. 5.6 million (93.33%) was paid up by the shareholders. The balance of about BD.400,000 is expected to be paid up during 2011.

As the overall budgeted cost for the hotel construction project is BD. 40 million, there will be a requirement for the Company to seek additional funding of around BD. 28 million. The Board of Directors, in its continued effort towards the completion of the project, will be proceeding with all legal and administrative formalities and procedures necessary for the successful raising of the additional funds.

In line with the official release of the final Corporate Governance, and which became effective from 1<sup>st</sup> January, 2011, the Company is in the process of formulating a program of implementation, as applicable, of the Governance Principles during the Year 2011.

The Board of Directors wishes to assure the Shareholders that it will continue its strive to achieve the Company's goals 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 Bourse in particular. The Board also wishes to thank all the parties who contributed towards the achievement of the Company's goals and objectives, including the main contractors G.P. Zachariades, the project managers International Design Engineering & Architecture, the project lead consultants Mohamed Salahuddin Contracting & Engineering Bureau, the hotel operator Rotana Hotel Management Corporation, all the other contractors and consultants, and the Company employees, all for their support and efforts made during 2010.

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 always exert its best efforts to meet their expectations.



**Abdulla Hassan Buhindi**  
Chairman

22<sup>nd</sup> February, 2011.

## **Independent auditor's 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 2010, 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 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 auditor's 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, 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 2010, 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 2010.




Manama, Kingdom of Bahrain  
22 February 2011

**Banader Hotels Company BSC**  
**Statement of financial position as at 31 December 2010**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,050,954	3,054,752
Capital work-in-progress	6	<u>7,537,836</u>	<u>2,704,006</u>
		<u>10,588,790</u>	<u>5,758,758</u>
<b>Current assets</b>			
Prepayments and other receivables	7	3,009,506	11,939
Cash and cash equivalents	8	<u>2,721,691</u>	<u>4,346,024</u>
		<u>5,731,197</u>	<u>4,357,963</u>
<b>Total assets</b>		<u>16,319,987</u>	<u>10,116,721</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	7,062,317	1,500,000
Statutory reserve	10	65,681	65,681
Retained earnings		<u>572,346</u>	<u>591,130</u>
		<u>15,200,344</u>	<u>9,656,811</u>
<b>Non-current liabilities</b>			
Retention payable		<u>364,663</u>	<u>107,623</u>
<b>Current liabilities</b>			
Accruals and other payables	12	<u>754,980</u>	<u>352,287</u>
<b>Total equity and liabilities</b>		<u>16,319,987</u>	<u>10,116,721</u>

These financial statements, set out on pages 6 to 22, were approved for issue by the Board of Directors on 22 February 2011 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 2010  
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Other income	13	<u>121,539</u>	<u>120,662</u>
<b>Expenses</b>			
Staff costs		(29,168)	(24,167)
General and administrative expenses		(106,781)	(60,949)
Finance costs	14	(331)	(229)
Depreciation	5	<u>(4,043)</u>	<u>(3,849)</u>
		<u>(140,323)</u>	<u>(89,194)</u>
<b>Net (loss)/profit and total comprehensive (loss)/income for the year</b>	15	<u>(18,784)</u>	<u>31,468</u>
<b>(Loss)/earnings per share</b>	15	<u>(0.145)</u>	<u>0.350</u>



**Banader Hotels Company BSC**  
**Statement of changes in shareholders' equity for the year ended 31 December 2010**  
**(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 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		7,500,000	1,500,000	65,681	591,130	9,656,811
Total comprehensive loss for the year		-	-	-	(18,784)	(18,784)
Share subscription money received from the shareholders	9	-	<u>5,562,317</u>	-	-	<u>5,562,317</u>
At 31 December 2010		<u>7,500,000</u>	<u>7,062,317</u>	<u>65,681</u>	<u>572,346</u>	<u>15,200,344</u>

**Banader Hotels Company BSC**  
**Statement of cash flows for the year ended 31 December 2010**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>Operating activities</b>			
Net (loss)/profit for the year		(18,784)	31,468
Adjustments for:			
Depreciation	5	4,043	3,849
Bank interest income	13	(120,471)	(118,983)
Finance costs	14	331	229
Changes in operating assets and liabilities:			
Prepayments and other receivables		(2,997,567)	64,522
Retention payable		257,040	107,623
Accruals and other payables		<u>402,693</u>	<u>280,726</u>
Net cash (used in)/provided by operating activities		<u>(2,472,715)</u>	<u>369,434</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	5	(245)	(980)
Expenditure incurred on capital work-in-progress	6	(4,833,830)	(1,785,485)
Bank interest income received	13	<u>120,471</u>	<u>118,983</u>
Net cash used in investing activities		<u>(4,713,604)</u>	<u>(1,667,482)</u>
<b>Financing activities</b>			
Share subscription money received from the shareholders	9	5,562,317	-
Finance costs paid	14	<u>(331)</u>	<u>(229)</u>
Net cash provided by/(used in) financing activities		<u>5,561,986</u>	<u>(229)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,624,333)</b>	<b>(1,298,277)</b>
Cash and cash equivalents, beginning of the year		<u>4,346,024</u>	<u>5,644,301</u>
Cash and cash equivalents, end of the year	8	<u>2,721,691</u>	<u>4,346,024</u>

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2010**  
**(Expressed in Bahrain Dinars)**

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**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 judgment in the process of applying the Company’s accounting policies.

***Standards, amendments and interpretations effective in 2010 but not relevant***

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 July 2009/1 January 2010, but are not relevant to the Company’s operations:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual period beginning on or after</u>
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2009/ 1 January 2010
IFRS 2	Share Based Payments	1 July 2009/ 1 January 2010
IFRS 3	Business Combinations	1 July 2009
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations	1 July 2009/ 1 January 2010
IFRS 8	Operating Segments	1 January 2010
IAS 1	Presentation of Financial Statements	1 January 2010
IAS 7	Statement of Cash Flows	1 January 2010
IAS 17	Leases	1 January 2010
IAS 28	Investments in Associates	1 July 2009
IAS 31	Interests in Joint Ventures	1 July 2009
IAS 36	Impairment of Assets	1 January 2010
IAS 38	Intangible Assets	1 July 2009
IAS 39	Financial Instruments - Recognition and Measurement	30 June 2009/ 1 July 2009/ 1 January 2010
IFRIC 9	Reassessment of Embedded Derivatives	1 July 2009
IFRIC 16	Hedges of Net Investment in a Foreign Operation	1 July 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009

2 Basis of preparation (continued)

*Standards, amendments and interpretations effective in 2010 but not relevant (continued)*

*Improvements/amendments to IFRS (2010)*

Improvements/amendments to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

*Standards, amendments and interpretations issued but not yet effective in 2010*

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2010 or subsequent periods have not been adopted early by the Company's management:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual period beginning on or after</u>
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2010/ 1 January 2011/ 1 July 2011
IFRS 3	Business Combinations	1 July 2010
IFRS 7	Financial Instruments - Disclosures	1 January 2011/ 1 July 2011
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2013
IAS 1	Presentation of Financial Statements	1 January 2011
IAS 12	Income Taxes	1 January 2012
IAS 24	Related Party Disclosures	1 January 2011
IAS 27	Consolidated and Separate Financial Statements	1 July 2010
IAS 32	Financial Instruments - Presentation	1 February 2010
IAS 34	Interim Financial Reporting	1 January 2011
IFRIC 13	Customer Loyalty Programmes	1 January 2011
IFRIC 14	The Limit on Define Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

There would have been no change in the operational results of the Company for the year ended 31 December 2010 had the Company early adopted any of the above standards applicable to the Company.

### 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, unless otherwise stated.

#### *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 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.

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 comprehensive income when the expenditure is incurred.

The carrying values of the property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the property, plant and equipment are written-down to their recoverable amounts.

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

Capital work-in-progress represents expenditure incurred in setting up new commercial facilities, which are capitalised when they are put to 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 to 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 Company's 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 obligation can be reliably estimated.

**3 Significant accounting policies (continued)**

***Employees' terminal benefits***

A provision is made for the estimated liability pertaining to employees' terminal benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees upto the statement of financial position date. 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 statement of comprehensive 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.

***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 statement of comprehensive 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 held with banks. Bank interest income or profit 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 statement of comprehensive income.

***Cash and cash equivalents***

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

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

The preparation of 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 judgments 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.

##### *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 judgment and estimates of the outcome of future events.

Banader Hotels Company BSC  
Notes to the financial statements for the year ended 31 December 2010  
(Expressed in Bahrain Dinars)

5 Property, plant, and equipment

	<u>Freehold land</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
<b>Cost</b>				
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	3,048,313	15,222	4,775	3,068,310
Additions	<u>-</u>	<u>245</u>	<u>-</u>	<u>245</u>
At 31 December 2010	<u>3,048,313</u>	<u>15,467</u>	<u>4,775</u>	<u>3,068,555</u>
<b>Accumulated depreciation</b>				
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	-	9,981	3,577	13,558
Charge for the year	<u>-</u>	<u>3,088</u>	<u>955</u>	<u>4,043</u>
At 31 December 2010	<u>-</u>	<u>13,069</u>	<u>4,532</u>	<u>17,601</u>
<b>Net book amount</b>				
At 31 December 2010	<u>3,048,313</u>	<u>2,398</u>	<u>243</u>	<u>3,050,954</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 (2009: BD724 per month (Note 18)).

During the year, the Company has obtained a professional valuation of the freehold land from three independent property valuers and has, on a conservative basis, taken the lowest valuation of BD4,152,105 (2009: BD3,690,720) as the basis for ensuring that no provision for impairment is consider necessary.



Banader Hotels Company BSC  
Notes to the financial statements for the year ended 31 December 2010  
(Expressed in Bahrain Dinars)

**6 Capital work-in-progress**

	31 December <u>2010</u>	31 December <u>2009</u>
Opening balance	2,704,006	918,521
Construction costs incurred during the year	4,014,730	1,098,486
Consultancy and architect fees	<u>819,100</u>	<u>686,999</u>
Closing balance	<u>7,537,836</u>	<u>2,704,006</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>2010</u>	31 December <u>2009</u>
Advances payment to a contactor	3,002,815	4,250
Accrued interest on fixed deposits	3,283	6,696
Prepaid expenses	<u>3,408</u>	<u>993</u>
	<u>3,009,506</u>	<u>11,939</u>

The Company amount of prepayments and other receivables disclosed above reasonably approximate their fair values as at 31 December 2010.

**8 Cash and cash equivalents**

	31 December <u>2010</u>	31 December <u>2009</u>
Fixed deposits	2,675,138	3,659,550
Current account balances with banks	46,417	686,362
Cash on hand	<u>136</u>	<u>112</u>
	<u>2,721,691</u>	<u>4,346,024</u>

The fixed deposits held with the Company's bankers have maturities of less than or equal to 90 days from the date of inception and earn effective interest rate of 2.50% per annum (2009: between 2.25% and 2.50% per annum).

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

Banader Hotels Company BSC  
Notes to the financial statements for the year ended 31 December 2010  
(Expressed in Bahrain Dinars)

9 Share capital and share capital received in advance

	31 December 2010	31 December 2009
<b>Authorised:</b>		
300,000,000 ordinary shares of 100 fils each (2009: 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 (2009: 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 (2009: 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 money received in advance:</b>		
150,000,000 ordinary shares of 100 fils each, partly paid-up (2009: 30,000,000 ordinary shares of 100 fils each - 50 fils each)	<u>7,062,317</u>	<u>1,500,000</u>

On incorporation, the Company issued 150 million shares, out of which 90 million shares were subscribed to by the founder members. 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 entered into a sale agreement with the Company to transfer the freehold land valued at BD3 million in exchange for these shares. Out of the BD3 million, BD1.5 million was considered as share capital and the remaining amount of BD1.5 million as share capital received in advance.

The remaining 60 million shares were offered to the public through an initial public offering, against which the Company called up 50% of the par value of 100 fils per share, which was fully paid for by the shareholders.

On 26 January 2010, the Board of Directors passed a resolution to call the final 50% of the unpaid portion of the share capital. The Company is currently implementing this resolution, and has received amounts totalling to BD5,562,317 upto 31 December 2010. An amount of BD437,683 is yet to be collected from the shareholders as at 31 December 2010. In addition, the BD1.5 million representing share capital received in advance from BMMI has also been transferred to 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	40,022,360	26.68%
Sulaiman Ahmed Saeed Al-Hoqani	Emirati	14,939,993	9.96%
Rotana for Hotels Management	Bahraini	11,250,000	7.50%
General public	Various	<u>83,787,647</u>	<u>55.86%</u>
		<u>150,000,000</u>	<u>100%</u>

9 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>31 December 2010</u>		
	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares</u>
Less than 1%	3,275	55,888,540	37.26%
1% up to less than 5%	13	27,899,107	18.60%
5% up to less than 10%	2	26,189,993	17.46%
10% up to less than 50%	<u>1</u>	<u>40,022,360</u>	<u>26.68%</u>
	<u>3,291</u>	<u>150,000,000</u>	<u>100.00%</u>

	<u>31 December 2009</u>		
	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding 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>

- iv) The percentage of shares held by the Directors to the total number of shares at 31 December 2010 was 3.06% (2009: 2.37%).

10 Statutory reserve

In accordance with 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. Since the Company has reported a net loss during the year, no amount has been transferred to the statutory reserve (2009: BD3,147).

Banader Hotels Company BSC  
Notes to the financial statements for the year ended 31 December 2010  
(Expressed in Bahrain Dinars)

11 Employees' terminal benefits

*Bahraini 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 2010 amounted to BD1,144 (2009: BD1,664).

	31 December <u>2010</u>	31 December <u>2009</u>
Number of staff employed by the Company	<u>3</u>	<u>3</u>

12 Accruals and other payables

	31 December <u>2010</u>	31 December <u>2009</u>
Other payables	733,530	330,183
Over-subscribed share capital payable	15,974	19,375
Accrued expenses	<u>5,476</u>	<u>2,729</u>
	<u>754,980</u>	<u>352,287</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 2010.

13 Other income

	Year ended 31 December <u>2010</u>	Year ended 31 December <u>2009</u>
Bank interest income	120,471	118,983
Miscellaneous income	<u>1,068</u>	<u>1,679</u>
	<u>121,539</u>	<u>120,662</u>

14 Finance costs

	Year ended 31 December <u>2010</u>	Year ended 31 December <u>2009</u>
Bank charges	<u>331</u>	<u>229</u>

**Banader Hotels Company BSC**  
**Notes to the financial statements for the year ended 31 December 2010**  
**(Expressed in Bahrain Dinars)**

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**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 <u>2010</u>	Year ended 31 December <u>2009</u>
Net (loss)/profit attributable to shareholders	<u>(18,784)</u>	<u>31,468</u>
Weighted average number of ordinary shares issued	<u>129,554,254</u>	<u>90,000,000</u>
(Loss)/earnings per share	<u>(0.145)</u>	<u>0.350</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 do not propose to pay dividends or directors fees for the year ended 31 December 2010 (2009: 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 2010 (2009: BDNil).

There were no other related party transactions during the year ended 31 December 2010 (2009: BDNil).

**18 Capital and operating lease commitments**

***Operating lease commitments***

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

	31 December <u>2010</u>	31 December <u>2009</u>
Not later than one year	9,088	724
Later than one year	<u>760</u>	<u>-</u>
	<u>9,848</u>	<u>724</u>

**18 Capital and operating lease commitments (continued)**

*Capital commitments*

Commitments on capital work-in-progress are as follows:

	31 December <u>2010</u>	31 December <u>2009</u>
Construction costs	20,018,770	24,033,500
Project management, engineering and consultancy fees	<u>2,150,183</u>	<u>1,355,780</u>
	<u>22,168,953</u>	<u>25,389,280</u>

**19 Subsequent events**

There were no significant events subsequent to 31 December 2010 and occurring before the date of the report that are expected to have a significant impact on these financial statements.

**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, retention payable 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 rate, 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 2010 and 2009.

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)

Capital management (continued)

	31 December 2010	31 December 2009
Retention payable	364,663	107,623
Accruals and other payables	754,980	352,287
Less: cash and cash equivalents	<u>(2,721,691)</u>	<u>(4,346,024)</u>
Net debt	<u>(1,602,048)</u>	<u>(3,886,114)</u>
Share capital	7,500,000	7,500,000
Share capital received in advance	7,062,317	1,500,000
Statutory reserve	65,681	65,681
Retained earnings	<u>572,346</u>	<u>591,130</u>
Total capital	<u>15,200,344</u>	<u>9,656,811</u>
Total capital and net debt	<u>13,598,296</u>	<u>5,770,697</u>
Gearing ratio	<u>-</u>	<u>-</u>

The Company does not have any net debt at 31 December 2010 and 2009. Accordingly, 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 years presentation. Such regrouping does not affect net worth or net profit for the previous year.