Banader Hotels Company BSC

Financial statements for the year ended 31 December 2011

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Commercial registration no.	59045 obtained on 20 December 2005
Directors	Mr Abdulla Hassan Buhindi - Chairman Mr Murad Ali Murad - Vice-Chairman (resigned with effect from 31 December 2011) Mr Nasser Mohamed Al-Nuwais Mr Yasin Al-Onaizy Mr Khalid Al-Amin Mr Mohammed Almoayyed Mr Jehad Yusuf Amin Mr Jaffar Abdulwahab AlMansoor (resigned with effect from 31 March 2011) Mr Ammar Aqeel (appointed with effect from 1 April 2011)
Audit Committee	Mr Jaffar Abdulwahab AlMansoor - Chairman (resigned with effect from 31 March 2011) Mr Mohammed Almoayyed - Chairman (appointed as Chairman with effect from 27 October 2011) Mr Ammar Aqeel - Vice-Chairman (appointed as Vice-Chairman with effect from 27 October 2011) Mr Khalid Al-Amin - Member
General Manager	Mr Ebrahim M. A. Bucheery (Title changed from "General Co-ordinator" to "General Manager" effective 3 May 2011)
Registered office	Flat No. 13, 1st Floor, Entrance 4 Manama Centre Government Avenue PO Box 2472 Manama Kingdom of Bahrain
Banker	Bank of Bahrain and Kuwait
Auditors	BDO 10th & 11th Floors, GBCORP Tower Bahrain Financial Harbour PO Box 787 Manama Kingdom of Bahrain
Registrars	Bahrain Shares Registering Company W.L.L. PO Box 514 Manama Kingdom of Bahrain

Directors' Report

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

It is my pleasure to present to you with the sixth annual report on Banader Hotels Company BSC activities during the Year 2011. This report also includes the Corporate Governance Report and the Audited Financial Statements for the Year-ended on 31st December, 2011.

During 2011 the Board of Directors continued its effort and took all possible 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 2011 were mainly incurred for the construction project work-in-progress, in addition to a normal smaller part of administrative expenses.

The Year 2011 was characterized by rigorous effort on the part of the Board of Directors and other Board Committees, especially, in the face of many challenges to the Project stemming from the overall unfavourable conditions in Bahrain in general and more specifically those related to economic activities.

Nevertheless, the Board of Directors continued to closely monitor the construction of the hotel. The following are the major activities during 2011, as well as the latest status of the project:

1. **Faced with unfavourable conditions, the Company took a decision in May, 2011 to reduce the budget for the Project through the reduction in the number of levels of the hotel building from 34 to 28, which resulted in a reduction of the number of keys from 331 to 251.**
2. **By the end of the Year, the following was completed: 99% of the structural concreting, the slab concreting to the 28th floor, 90% of the block work, 50% of electro-mechanical work, and 20% of external cladding.**
3. **However, due to the continuing unrest in the country and its adverse effect on the economy and investment, the Company has not succeeded in raising the required additional funds to complete the project. As a result, no sub-contract with the main contractor has been signed for Interior Decoration Fit-out Work, Audio Visual Works and Internet Protocol Works. The main contractor also started, beginning September, 2011, to slow down the execution of the remaining civil, mechanical & electrical, and external works.**
4. **As a result of lack of funding and reduction/stoppage by the main contractor/sub-contractors the Project estimated completion date has shifted from the original estimate of May, 2012 to March, 2013, provided funding is immediately made available and work on the Project continues/resumes normally.**

Much of the Board of Directors effort was directed towards securing funding for the Project. In April, 2011, the collection of the 2nd Installment of the Issued Capital was completed, and as a result the Paid-Up Capital increased from BD. 9 million to BD. 15 million. The latest Project cost estimate stands at BD. 37 million (excluding the cost of land) which exceeds the Company's Cash Capital by BD. 25 million, being the extra fund required to complete the Project. Towards raising additional funds for the Project, two resolutions were passed by the

شركة بنادر للفنادق ش.م.ب ص.ب: ٢٤٧٤ المنامة مملكة البحرين هاتف: ١٧٢٠٠٠٦٤ فاكس: ١٧٢٠٠٠٦٥
Banader Hotels Co. BSc P.O. Box: 2474 Manama Kingdom of Bahrain Tel: 17 200064 Fax: 17 200065

last annual Extraordinary General Meeting; Firstly, to increase the Issued Capital from BD. 15 million up to BD. 22.5 million, and secondly, to raise a loan for up to BD. 25 million.

The Company is trying to achieve project funding through a combination of equity and debt. For this purpose, it has engaged a major advisory firm to seek potential investors and/or financier. It has also been directly, and at all levels, approaching potential investors and banks for the same purpose. However, the Company has not yet secured a final deal.

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 in particular, to the Central Bank of Bahrain, the Ministry of Industry & Commerce and the Bahrain Bourse. The Board also wishes to thank all the parties who have been contributing 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 2011.

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

Abdulla Hassan Buhindi
Chairman

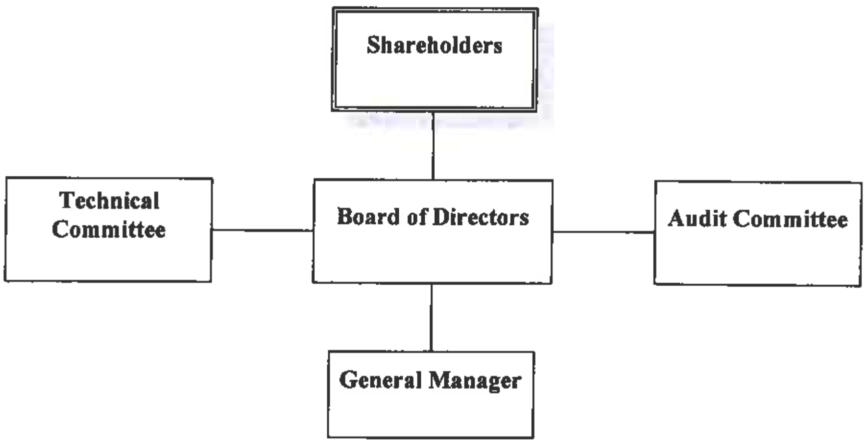
8th February, 2012

Corporate Governance Report:

Corporate Governance is about promoting corporate fairness, transparency and accountability. It is a continual process which aims at transforming corporations into more democratic entities with a view to enhancing responsible corporate management geared towards long-term value creation. The Company is committed to the formulation of its corporate governance policies and the programmed implementation of these policies as and when it is feasible considering the fact that, despite being listed, the Company is still in its establishment phase and has not yet started its revenue-generating operations. As such, the organizational structure and manpower is only in its basic and minimum level. This is expected to reach a proper operational level only with the completion of hotel construction and the start of its operation.

Nevertheless, the Company is currently working on developing its Corporate Governance manual. It will, then, endeavour to put in place a plan for the implementation of the Corporate Governance requirements. Where it is not possible for the Company to comply with the requirements, especially due to being in its developmental phase as explained above, the plan will outline resulting gaps in the implementation. In order to ensure that the Company's actions in this respect are in line with the requirements of relevant regulatory bodies, close consultation is made with these bodies.

Governance Structure:



Responsibility:

As the Company is in its establishment phase and it is currently embarking on its first project, being a Five-star hotel, full staff recruitment will only start a few months before the hotel opening. The organization currently consists of minimal number of staff, and it does not therefore cater for many organizational functions as prescribed in the Corporate Governance Code. The function of Compliance is handled by the General Manager under the umbrella of the Audit Committee.

Shareholding:

The majority of the Company's shareholding is held by institutional investors as well as prominent business persons to the extent of more than 75%. The shareholding of the

Directors amounted to 10.4% at 31st December, 2011. More details are given in Note 9 to the Financial Statements.

Policies and procedures:

With the current status of the Company whereby there are limited staffing and organizational functions, and where the number of transactions is relatively small and mainly pertaining to the Project, it has not yet developed relevant policies and procedures. However, the Company recognizes the importance of developing policies and procedures as and when appropriate and to commensurate with its future development into a fully-fledged organization.

Anti money laundering:

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

Integrity, credibility, compliance, confidentiality and transparency:

The Company is committed at all levels to the principle of integrity. It provides clear, comprehensive and accurate information to related parties such as shareholders, employees and legal and regulatory authorities. It abides by all relevant laws, regulations and standards, and would explain any necessary deviation or non-applicability. It would not inappropriately share any information on transaction concerning shareholders, employees, suppliers and business partners, except with those authorities with whom the sharing of information is permitted or required by laws and regulations. As a public shareholding company, Banader Hotels Co. is committed to the disclosure of information of public nature promptly, accurately, thoroughly and comprehensively. It strives to establish transparent and close communication with the shareholders. The Financial Statements are prepared and audited in accordance with the International Financial Reporting Standards (IFRS) and the International Standards on Auditing (ISA).

Board of Directors:

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

As of 31st December, 2011, Banader Hotels Co. Board comprised 7 members. Next full election is due in the coming Annual General Meeting:

Abdulla Hassan Buhindi	Chairman	Independent	Non Executive
Jehad Yusuf Amin	Member	Non-independent	Non Executive
Mohamed Farooq Al Moayyed	Member	Independent	Non Executive
Yasin Abdul Aziz Al Onaizi	Member	Independent	Non Executive
Nasser Mohamed Al Nowais	Member	Non-independent	Non Executive
Khalid Ali Al Amin	Member	Independent	Non Executive
Ammar Aqeel Mohamed	Member	Non-independent	Executive

Profile of Board Directors:

Mr. Abdulla Hasan Buhindi *(Chairman)*

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

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

Mr. Amin has been a board membersince November, 2005 and was appointed on 8th February, 2012 as the vice-chairman of the board of Banader Hotels Co. Mr. Amin has 14 years of experience in the investment field. He holds various board and other committee positions. He is currently a board member, since 1999, and presently the deputy chairman of the executive committee of Bahrain National Holding (BNH). He is an executive committee member for Bahrain National Insurance (BNI), and a board member of the Bahrain Emirated Insurance. He is a board member and a member of the investment committee of United Insurance. He is a board member, a member of the audit committee, and a member of Metro Market committee of the General Company for Trading and Food Industries (Trafco). He is a board member and a member of the audit committee of Bahrain Live Stock. He is a board member and a member of the executive committee of BMMI. He is a board member and a member of the audit committee of Bahrain Cinema Company. He is also a director of Gulf Gourmet Group – Bahrain.

Mr. Nasser Mohamed Al-Nuwais

Appointed to the Board in November, 2005, Mr. Al-Nuwais is a graduate of New York University, USA with a degree in Economics. On his return to the UAE, he was tasked to set up and manage the Abu Dhabi Fund. As the Managing Director, he administered numerous touristic, industrial and agricultural investments as well as infrastructural projects spread around the Middle East and Africa. Meanwhile, he was appointed as undersecretary at the UAE Ministry of Finance and Industry where he played prominent roles in several UAE's state led banking, insurance, airline and tourism projects.

In 1978, he was appointed Chairman of Abu Dhabi National Hotels Company, the largest hotel and industrial catering company in the region where he acquired vast experience in the hospitality industry. In 1992, he left ADNHC to form Rotana Hotels, now Middle East's foremost hotel brand.

Currently, he is the Chairman of the Rotana Hotel Management Corp Ltd., Chairman of Aswaq Management and Services, and Managing Director of the Abu Dhabi Trade Centre, all based in the UAE.

Mr. Yasin A. Aziz Al-Onaizy

Appointed to the Board in November, 2005, Mr. Al-Onaizy holds a degree in Trade and Economy. He has several years of experience in the hotel industry. He administered various hotels in the region through development stage to operations. Currently, he is the Chairman of Al Enizi Trading Company (Kuwait) and Vice Chairman of Al Khalejeya Company for Investment Services (Oman), Loran Holding and Dom Global Real Estate Investment.

Mr. Khaled Ali Rashed Al-Ameen

Appointed to the Board in March, 2009, Mr. Al-Ameen is a prominent entrepreneur in Bahrain and plays an instrumental role in developing his family owned businesses. He holds key position as a member of the Board of Bahrain Chamber of Commerce and Industry (BCCI) and Tamkeen. He is also a Board member of Ali Rashid Al Amin Trading Company, Al Amin Industrial Company (Bahrain and Qatar), Ramakaza Trading Co. W.L.L., FSC (KSA) and GCC Arbitration Council. Furthermore, he is CEO of Midway Supermarket, Chairman of Arbitration and Trade Disputes Committee (BCCI) and Entrepreneurs Committee (BCCI) and Bahrain India Business Council. He is also member of executive committee of Asmak Company, the board of trustee of Ibn Khaldoon National School, Bahrain Forum Society, CHIANE DES ROTISSEURS and vice president of parents, teachers and student council Ibn Khaldoon National School.

Mr. Mohammed Farooq Almoayyed

Appointed to the Board in November, 2005, Mr. Almoayyed is a Bachelor of Business Administration (Major in Finance) degree from George Washington University USA. He is the Managing Director of Almoayyed International Group. As a promising entrepreneur, he has actively participated in the group's business activities since the year 2000. He also extends his managerial support to the parent group Y.K. Almoayyed & Sons.

Currently, he holds board position in Y.K. Almoayyed & Sons BSC (c), Almoayyed Contracting Group, National Finance House BSC (c), BMMI and Mirai Restaurant WLL.

Mr. Ammar Aqeel Ali Mohamed *(representative of BMMI)*

Appointed to the Board in April, 2011, Mr. Ammar Aqeel has over 14 years of experience in Finance and Accounting. He is a fellow member of the Chartered Institute of Management Accountants (CIMA) and the Association of Accounting Technicians (AAT). He also holds a Master of Business Administration (MBA) from University of Manchester - Manchester Business School and an Accounting Diploma from University of Bahrain. He held various finance roles in BMMI, including his current role as Chief Financial Officer (CFO).

Executive Management

Mr. Ebrahim Mohamed Abdulla Bucheery joined the Company in November, 2009. He currently holds the position of the General Manager. He has over 40 years of experience and held various key positions including managerial positions in the field of finance, accounting and administration in The Bahrain National Oil Company (BANOCO), The Bahrain National Gas Company (BANAGAS) and The Bahrain Petroleum Company (BAPCO).

He holds Higher National Diploma in business studies from the North Staffordshire University, United Kingdom.

During his working career, he was exposed to numerous conferences, seminars, courses and workshops covering wide range of fields, from accounting , insurance to management, in the USA, United Kingdom, GCC and Bahrain.

Board Meetings:

The Board met 9 times during the period from January to December, 2010. The attendance of these meeting by members was as follows:

Board Meeting No./Year	Date	Number of Members Attended	Number of Members Excused
1/2011	5th January	6	2
2/2011	10th January	6	2
3/2011	22nd February	6	2
4/2011	22nd March	5	3
5/2011	3rd May	7	1
6/2011	16th May	5	3
7/2011	8th August	4	4
8/2011	15th September	6	2
9/2011	29th September	6	2

Board Committees:

The Board has in place an audit committee and a technical committee. The Audit Committee oversees the financial reporting process, reviews compliance with all relevant laws, regulations and codes of business practices, and reviews all auditing requirements. A Risk Management function does not presently exist. The Company recognizes the need for this function, which will need to be put in place along with the Company progression into a fully-fledged operational organization. However, for the purpose of mitigating any existing or potential risk, the Audit Committee has been entrusted with the overall responsibility for the existence of necessary internal controls.

The Technical Committee has a role of overseeing progress on the Project including tendering, financing and other related matters. The Board will introduce other committees in accordance with the requirement of Corporate Governance as and when feasible and commensurate with its organizational development and necessity for compliance.

Company Secretary:

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

Internal and External Auditing:

The Board recognizes its responsibility for the internal control in the Company. Despite the fact that policies and procedures within the framework of internal control, including the internal audit function, will need to be developed in future along with the organizational development of the Company, the Board closely monitors this requirement through its Audit

Committee. The Shareholders, at the last Annual General Meeting held in 2011, re-appointed BDO as their external auditor. The External Auditors has submitted an unqualified audit opinion for the year 2011.

Insider Trading and Key Persons Dealing Policies:

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

Remuneration

Although the Company is in the process of articulating a remuneration and nomination policy and establish the related committees, it is guided by the stipulations of its Articles of Association as far as Board member remunerations are concerned. As the Company has not yet started its revenue generating activities, directors are only remunerated with nominal sitting fees for attending Board and committee meetings. Board and committee members received a total of BD. 13,400, for this purpose, during 2011.

Corporate Governance Code Non-Compliance:

As per the Corporate Governance Code, the Board shall report to the shareholders on the Company's compliance with its Rules and Guidelines, and explain the extent and justification of any non-compliance. The Company is in the process of developing its necessary Corporate Governance documents, based on which it will also produce a gap analysis report on compliance to the Code. The gap analysis and action plan summary report will be presented to shareholders in the next Annual General Meeting.

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**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 2011, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 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 2011, 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 2011.

BDO

Manama, Kingdom of Bahrain
8 February 2012

Banader Hotels Company BSC
Statement of financial position as at 31 December 2011
(Expressed in Bahrain Dinars)

	Notes	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,049,258	3,050,954
Capital work-in-progress	6	14,969,203	7,537,836
		18,018,461	10,588,790
Current assets			
Prepayments and other receivables	7	2,220,486	3,009,506
Cash and cash equivalents	8	498,127	2,721,691
		2,718,613	5,731,197
Total assets		20,737,074	16,319,987
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	15,000,000	7,500,000
Share capital received in advance	9	-	7,062,317
Statutory reserve	10	65,681	65,681
Retained earnings		466,676	572,346
		15,532,357	15,200,344
Non-current liabilities			
Retention payable		937,212	364,663
Current liabilities			
Accruals and other payables	12	4,267,505	754,980
Total equity and liabilities		20,737,074	16,319,987

These financial statements, set out on pages 12 to 30, were approved for issue by the Board of Directors on 8 February 2012 and signed on its behalf by:

Abdulla Hassan Buhindi
Chairman

Jehad Yusuf Amin
Director

Banader Hotels Company BSC
Statement of comprehensive income for the year ended 31 December 2011
(Expressed in Bahrain Dinars)

	Notes	2011	2010
Other income	13	28,570	121,539
Expenses			
Staff costs		(40,698)	(29,168)
General and administrative expenses		(91,584)	(106,781)
Finance costs	14	(355)	(331)
Depreciation	5	(1,603)	(4,043)
		(134,240)	(140,323)
Net loss and total comprehensive loss for the year	15	(105,670)	(18,784)
Loss per share	15	(0.704 fils)	(0.145 fils)

Banader Hotels Company BSC
Statement of changes in shareholders' equity for the year ended 31 December 2011
(Expressed in Bahrain Dinars)

	Notes	Share capital	Share capital received in advance	Statutory reserve	Retained earnings	Total
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	-	5,562,317	-	-	5,562,317
At 31 December 2010		7,500,000	7,062,317	65,681	572,346	15,200,344
Total comprehensive loss for the year		-	-	-	(105,670)	(105,670)
Share subscription money received from the shareholders	9	-	437,683	-	-	437,683
Transferred to share capital	9	7,500,000	(7,500,000)	-	-	-
At 31 December 2011		15,000,000	-	65,681	466,676	15,532,357

Banader Hotels Company BSC
Statement of cash flows for the year ended 31 December 2011
(Expressed in Bahrain Dinars)

	Notes	2011	2010
Operating activities			
Net loss for the year		(105,670)	(18,784)
Adjustments for:			
Depreciation	5	1,603	4,043
Bank interest income	13	(28,200)	(120,471)
Finance costs	14	355	331
Profit on sale of property, plant and equipment		(69)	-
Changes in operating assets and liabilities:			
Prepayments and other receivables		789,020	(2,997,567)
Retention payable		572,549	257,040
Accruals and other payables		3,512,525	402,693
Net cash provided by/(used in) operating activities		4,742,113	(2,472,715)
Investing activities			
Purchase of property, plant and equipment	5	(148)	(245)
Proceeds from sale of property, plant and equipment		310	-
Expenditure incurred on capital work-in-progress	6	(7,431,367)	(4,833,830)
Bank interest income received	13	28,200	120,471
Net cash used in investing activities		(7,403,005)	(4,713,604)
Financing activities			
Share subscription money received from the shareholders	9	437,683	5,562,317
Finance costs paid	14	(355)	(331)
Net cash provided by financing activities		437,328	5,561,986
Net decrease in cash and cash equivalents		(2,223,564)	(1,624,333)
Cash and cash equivalents, beginning of the year		2,721,691	4,346,024
Cash and cash equivalents, end of the year	8	498,127	2,721,691

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"), the requirements of the Central Bank of Bahrain and Financial Institutions Law 2006 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 its judgment in the process of applying the Company's accounting policies.

Standards, amendments and interpretations issued and effective in 2011 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 2011 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2010/ 1 January 2011
IFRS 3	Business Combinations	1 July 2010
IFRS 7	Financial Instruments - Disclosures	1 January 2011
IAS 1	Presentation of Financial Statements	1 January 2011
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 Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

2 Basis of preparation (continued)

Improvements/amendments to IFRS (2010/2011)

Improvements/amendments to IFRS issued in 2010/2011 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 audited 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 2011

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2011 or subsequent periods, but not yet effective, have not been early adopted by the Company's management:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of Financial Statements	1 January 2012
IAS 12	Income Taxes	1 January 2012
IAS 19	Employee benefits	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2011
IFRS 7	Financial Instruments - Disclosures	1 July 2011
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Agreements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013

There would have been no change in the operational results of the Company for the year ended 31 December 2011 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

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 available for 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 available for 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 using the effective interest rate method, 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

For the purpose of the statement of cash flows, 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;
- contingencies; and
- going concern.

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.

Going concern

The management of the Company reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due. In addition, the shareholders of the Company ensure that they provide adequate financial support to fund the requirements of the Company to ensure the going concern status of the Company.

5 Property, plant, and equipment

	Freehold land	Office equipment	Motor vehicles	Total
Cost				
At 31 December 2009	3,048,313	15,222	4,775	3,068,310
Additions	-	245	-	245
At 31 December 2010	3,048,313	15,467	4,775	3,068,555
Additions	-	148	-	148
Disposals	-	(360)	-	(360)
At 31 December 2011	3,048,313	15,255	4,775	3,068,343
Accumulated depreciation				
At 31 December 2009	-	9,981	3,577	13,558
Charge for the year	-	3,088	955	4,043
At 31 December 2010	-	13,069	4,532	17,601
Charge for the year	-	1,360	243	1,603
Disposals	-	(119)	-	(119)
At 31 December 2011	-	14,310	4,775	19,085
Net book amount				
At 31 December 2011	3,048,313	945	-	3,049,258
At 31 December 2010	3,048,313	2,398	243	3,050,954

The Company operates from premises leased at a monthly rental of BD760 (2010: 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 BD4,152,000 (2010: BD4,152,105) as the basis for ensuring that no provision for impairment is considered necessary.

6 Capital work-in-progress

	31 December 2011	31 December 2010
Opening balance	7,537,836	2,704,006
Construction costs incurred during the year	6,642,486	4,014,730
Consultancy and architect fees	788,881	819,100
Closing balance	14,969,203	7,537,836

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 2011	31 December 2010
Advances paid to a contractor	2,216,183	3,002,815
Accrued interest on fixed deposits	1,077	3,283
Prepaid expenses	3,226	3,408
	2,220,486	3,009,506

As at 31 December, the ageing of unimpaired other receivables is as follows:

	Total	Less than or equal to 6 months	More than 6 months
At 31 December 2011	2,220,486	4,713	2,215,773
At 31 December 2010	3,009,506	2,034,407	975,099

The carrying values of prepayments and other receivables disclosed above reasonably approximate their fair values as at 31 December 2011.

8 Cash and cash equivalents

	31 December 2011	31 December 2010
Fixed deposits	462,195	2,675,138
Current account balances with banks	35,880	46,417
Cash on hand	52	136
	498,127	2,721,691

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 rates ranging between 1.5% and 1.8% per annum (2010: 2.50% per annum).

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

9 Share capital and share capital received in advance

	31 December 2011	31 December 2010
Authorised:		
300,000,000 ordinary shares of 100 fils each (2010: 300,000,000 ordinary shares of 100 fils each)	30,000,000	30,000,000
Issued:		
150,000,000 ordinary shares of 100 fils each (2010: 150,000,000 ordinary shares of 100 fils each)	15,000,000	15,000,000
Called and fully paid-up:		
150,000,000 ordinary shares of 100 fils each (2010: 150,000,000 ordinary shares of 100 fils each -50 fils paid-up)	15,000,000	7,500,000
Share capital received in advance:		
(2010: 150,000,000 ordinary shares of 100 fils each - 50 fils each partly paid-up)	-	7,062,317

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 BMMI B.S.C. ("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 part of share capital and the remaining amount of BD1.5 million as share capital received in advance. The balance 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, and has received the full cash portion of the amount totalling to BD6,000,000 as at 31 December 2011. This amount, along with the in-kind contribution of BD1.5 million from BMMI, has been transferred to share capital. Necessary legal formalities to amend the Memorandum and Articles of Association of the Company with the relevant ministries in the Kingdom of Bahrain are yet to be completed.

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 and fully paid-up share capital are as follows:

	Nationality	Number of shares	Percentage of shareholding interest
BMMI	Bahraini	45,701,880	30.47%
Sulaiman Ahmed Saeed Al-Hoqani	Emirati	14,939,993	9.96%
Nasser Mohamed Al-Nuwais	Emirati	11,250,000	7.50%
General public	Various	78,108,127	52.07%
		150,000,000	100%

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:

	31 December 2011		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,255	55,025,678	36.68%
1% up to less than 5%	12	23,282,449	15.52%
5% up to less than 10%	2	26,189,993	17.46%
10% up to less than 50%	1	45,501,880	30.34%
	3,270	150,000,000	100.00%

	31 December 2010		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
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%	1	40,022,360	26.68%
	3,291	150,000,000	100.00%

iv) The percentage of shares held by the Directors to the total number of shares at 31 December 2011 was 10.40% (2010: 3.06%).

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 (2010: BDNil).

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 2011 amounted to BD1,279 (2010: BD1,144).

	31 December 2011	31 December 2010
Number of staff employed by the Company	3	3

12 Accruals and other payables

	31 December 2011	31 December 2010
Other payables	4,245,460	733,530
Over-subscribed share capital payable	15,944	15,974
Accrued expenses	6,101	5,476
	4,267,505	754,980

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

The carrying amounts of accruals and other payables disclosed above reasonably approximate their fair values as at 31 December 2011.

Maturity profile

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not considered significant by management.

	At 31 December 2011				
	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Accruals and other payables	65,588	4,201,917	-	-	-
Retention payable	-	-	446,265	490,947	-
	65,588	4,201,917	446,265	490,947	-

	At 31 December 2010				
	Up to 3 months	Between 3 and 12 Months	Between 1 and 2 years	Between 2 and 5 Years	Over 5 years
Accruals and other payables	738,402	16,578	-	-	-
Retention payable	-	-	-	364,663	-
	738,402	16,578	-	364,663	-

13 Other income

	Year ended 31 December 2011	Year ended 31 December 2010
Bank interest income	28,200	120,471
Miscellaneous income	370	1,068
	28,570	121,539

14 Finance costs

	Year ended 31 December 2011	Year ended 31 December 2010
Bank charges	355	331

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 2011	Year ended 31 December 2010
Net loss attributable to the shareholders	(105,670)	(18,784)
Weighted average number of ordinary shares issued	150,000,000	129,554,254
Loss per share	(0.704 fils)	(0.145 fils)

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 2011 (2010: 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. The Board of Directors were paid an attendance fee of BD13,400 during the year ended 31 December 2011 (2010: BD20,800).

There were no other related party transactions during the year ended 31 December 2011 (2010: 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 2011	31 December 2010
Not later than one year	760	9,088
Later than one year	-	760
	760	9,848

Capital commitments

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

	31 December 2011	31 December 2010
Construction costs	13,782,916	20,018,770
Project management, engineering and consultancy fees	301,462	2,150,183
	14,084,378	22,168,953

19 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.

20 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 risk, 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 2011 and 2010.

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.

	31 December 2011	31 December 2010
Retention payable	937,212	364,663
Accruals and other payables	4,267,505	754,980
Less: cash and cash equivalents	(498,127)	(2,721,691)
Net debt	4,706,590	(1,602,048)
Share capital	15,000,000	7,500,000
Share capital received in advance	-	7,062,317
Statutory reserve	65,681	65,681
Retained earnings	466,676	572,346
Total capital	15,532,357	15,200,344
Total capital and net debt	20,238,947	13,598,296
Gearing ratio	-	-

The Company does not have any net debt as at 31 December 2011 and 2010. Accordingly, gearing ratio has not been calculated.

20 Financial assets and liabilities and risk management (continued)

Principal financial instruments

The *principal* financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Prepayments and other receivables
- Cash and cash equivalents
- Retention payable
- Accruals and other payables

A summary of the financial instruments held by category is provided below as at 31 December 2011:

Financial assets	***Loans and receivables***
Cash and cash equivalents	498,127
Prepayments and other receivables	2,220,486
Total financial assets	2,718,613

Financial liabilities	***Financial liabilities at amortised cost***
Accruals and other payables	4,267,505
Retention payable	937,212
Total financial liabilities	5,204,717

A summary of the financial instruments held by category is provided below as at 31 December 2010:

Financial assets	***Loans and receivables***
Cash and cash equivalents	2,721,691
Prepayments and other receivables	3,009,506
Total financial assets	5,731,197

Financial liabilities	***Financial liabilities at amortised cost***
Accruals and other payables	754,980
Retention payable	364,663
Total financial liabilities	1,119,643

20 Financial assets and liabilities and risk management (continued)

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.

The Company does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated. Quantitative disclosures of the credit risk exposure in relation to financial assets are set out below. Further disclosures regarding prepayments and other receivables, which are neither past due nor impaired, are provided in Note 7 to these financial statements.

	At 31 December 2011	
Financial assets	*Carrying value*	*Maximum exposure*
Cash and cash equivalents	498,127	498,127
Prepayments and other receivables	2,220,486	2,220,486
Total financial assets	2,718,613	2,718,613

	At 31 December 2010	
Financial assets	*Carrying value*	*Maximum exposure*
Cash and cash equivalents	2,721,691	2,721,691
Prepayments and other receivables	3,009,506	3,009,506
Total financial assets	5,731,197	5,731,197

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.

21 Subsequent events

There were no events subsequent to 31 December 2011 and occurring before the date of the report that are expected to have a significant impact on these financial statements.