

**Banader Hotels Company B.S.C.**

Financial statements for the  
year ended 31 December 2012

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**Financial statements for the year ended 31 December 2012**

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**Banader Hotels Company B.S.C.**  
**Administration and contact details as at 31 December 2012**

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<b>Commercial registration no.</b>	59045 obtained on 20 December 2005	
<b>Directors</b>	Mr Abdulla Hassan Buhindi Mr Jehad Yusuf Amin Mr Nasser Mohamed Al-Nuwais (resigned with effect from 29 March 2012) Mr Yasin Al-Onaizy (resigned with effect from 29 March 2012) Mr Khalid Ali Al-Ameen Mr Mohammed Farooq Almoayyed Mr Ammar Aqeel Mohamed Mr Suhail Mohammed Hajee (appointed with effect from 29 March 2012) Mr Solaiman Ahmed Al-Hoqani (elected with effect from 29 March 2012) Mr Nael Jamil Hashweh (appointed with effect from 29 March 2012) Mr Yusuf Abdulrahman Fakhro (elected with effect from 29 March 2012)	- Chairman - Vice-Chairman
<b>Audit Committee</b>	Mr Mohammed Farooq Almoayyed (appointed with effect from 25 April 2012) Mr Khalid Al-Amin (appointed with effect from 25 April 2012) Mr Ammar Aqeel Mr Yusuf Abdulrahman Fakhro (appointed with effect from 29 March 2012)	- Chairman - Vice-Chairman
<b>General Manager</b>	Mr Ebrahim M. A. Bucheery	
<b>Registered office</b>	Flat No. 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 17 <sup>th</sup> Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	
<b>Registrar</b>	Fakhro Karvy Computershare 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 the seventh annual report on Banader Hotels Company BSC activities during the Year 2012. This report also includes the Audited Financial Statements for the Year-ended on 31<sup>st</sup> December, 2012.

During 2012 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 meters, owned by the Company, and located next to Batelco Commercial Centre near Bab Al Baharin.

The Company expenditures during 2012 were mainly incurred for the construction project work and in addition to the usual amounts of administrative expenses and consultants' fees.

The Year 2012 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 unfavorable conditions in Bahrain in general and more specifically those related to economic activities. The current economic condition created difficulties in raising required financing to complete the project.

Nevertheless, the Board of Directors continued to closely monitor the construction of the hotel. The following were the major activities during 2012, as well as the latest status of the project:

1. The Board of Directors reduced the Project's consultant's fees to the minimum in an effort to reduce the project running cost. The contractor was also asked to follow the contract documents and avoid claims to avoid project budget escalation.
2. However, due to the continuing unrest in the country and its adverse effect on the economy and investment, the Company has not succeeded in the first half of 2012 in raising the required additional funds to complete the project. As a result, no sub-contract with the main contractor was signed for Interior Decoration Fit-out Work, Audio Visual Works and Internet Protocol Works. The main contractor also started, in June, 2012, to slow down the execution of his remaining civil, mechanical, electrical and external works until they fully demobilized in October 2012.
3. By the end July 2012, the following works were completed: 99.5% of the structural concreting, the slab concreting to the 28<sup>th</sup> floor, 92% of the block work, 60% of electro-mechanical work, and 25% of external cladding. Major works in 2012 were the continued electrical and mechanical works, elevators' works and aluminum and glass works.
4. As a result of the lack of funding and reduction/stoppage by the main contractor and his sub-contractors the Project estimated completion date was shifted from the original estimated date of May, 2012 to July, 2014, provided funding is immediately made available and work on the Project continues/resumes normally.
5. The Company's EGM of the shareholders held in Manama on 29 March 2012 resolved to issue preference shares to the existing shareholders and authorized the Board of Directors to process the related formalities. Subsequently, on 7 May 2012, the Board of Directors passed a resolution to call for shareholder's subscription towards the issue of convertible preference shares.



**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 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 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 2012.**

**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**

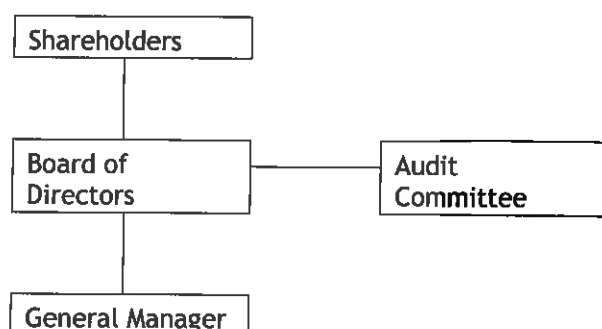
**25<sup>th</sup> February, 2013**

## 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 31<sup>st</sup> December, 2012. 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.

## CORPORATE GOVERNANCE REPORT

### **Mr. Khalid Ali 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 Khaldoun National School, Bahrain Forum Society, CHIANE DES ROTISSEURS and vice president of parents, teachers and student council Ibn Khaldoun 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. Suhail Mohammed Hajee (representative of BMMI)**

Mr. Suhail Hajee has over 20 years of experience in financial sector. He began his career as a Financial Analyst for US equities in the investment division of Arab Insurance Group (ARIG), Bahrain. Mr. Hajee held various senior positions with major financial institutions in Bahrain, Vancouver and Dubai. He is currently founding member and CEO of Instrata Capital BSC © and board member of BMMI and Instrata Capital. Mr Hajee is also a past member of Vancouver Society of Financial Analyst and Current member of the CFA Institute.

### **Mr. Ammar Aqeel 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).

### **Mr. Solaiman Ahmed Al Hoqani**

Mr. Solaiman is currently chairman and board member of Global Financial Investments Holding SAOG (Oman), United Finance SAOG (Oman), Gulf Stone SAOG (Oman), Batina Hotels SAOG (Oman), Sohar Gases LLC (Oman), Oman Sayyrat International SAOC (Oman), and Ithraa Capital (UAE). He is also a founder and owner of Globalinvest (Oman), Global Omani Development & Investment (Oman), Batina for Investment SAOG (Oman), Dhofar Holding SAOC (Oman) and First National LLC (Oman). He is also investor in listed stocks across MENA region.

### **Mr. Nael Jamil Hashweh**

Mr. Hashweh is currently a board member and an advisor for Rotana Hotels Company. Prior to joining Rotana, he was at the International hotels groups for 11 years as Head of Finance at Quds, Palestine, Spain, and Japan and was part of team to establish the Intercontinental hotel in Abu Dhabi. He also held position of CFO of Abu Dhabi National Hotels Company for of 10 years, before joining Rotana as Executive Vice president and CFO.

## CORPORATE GOVERNANCE REPORT

### Mr. Yousuf Abdulrahman Fakhro

Mr. Fakhro holds a bachelor of International Relations from Tufts University in Massachusetts, Boston. Mr. Fakhro is the managing director of Yousif Bin Yousif Fakhro where he has been managing different business lines and divisions of the group. Previous to joining Yousif Bin Yousif Fakhro, he was at Citi Bank Bahrain as an assistant manager for a period of 3 years. Mr. Fakhro holds several board positions including M.I.R.A.D, Specific council for training and retail.

### 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, The Bahrain National Gas Company and The Bahrain Petroleum Company.

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 8 times during the period from January to December, 2012. The attendance of these meeting by members was as follows:

Board Meeting No./Year	Date	Number of Members Attended	Number of Members Excused
1/2012	8 <sup>th</sup> February	5	3
2/2012	28 <sup>th</sup> February	5	3
3/2012	29 <sup>th</sup> March	5	4
4/2012	25 <sup>th</sup> April	9	0
5/2012	16 <sup>th</sup> May	6	3
6/2012	30 <sup>th</sup> July	9	0
7/2012	1 <sup>st</sup> October	7	2
8/2012	13 <sup>th</sup> November	7	2

### Board Committees:

The Board has in place an audit 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. Audit Committee has also 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.



## CORPORATE GOVERNANCE REPORT

### **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 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 2012.

### **Insider Trading and Key Person 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 and Bonus Shares:**

Although the Company is yet to articulate 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. 12,600, for this purpose, during 2012.

### **Corporate Governance Code Non-Compliance:**

As per Principle 8 of the Code, the Board shall report to the shareholders on the Company's compliance with its Rules and Guides, and explain the extent and justification of any non-compliance. Attached herewith are an action plan and the gaps identified in the relation to compliance with the Code.

## **Independent auditor's report to the shareholders of Banader Hotels Company B.S.C.**

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

We have audited the accompanying financial statements of Banader Hotels Company B.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for year ended then and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

The management of the Company is 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 about 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis of matter**

We draw attention to Note 17 in the financial statements which states that the Company's current liabilities exceeds its current assets by BD453,239, and note 19 which explains that the Company has capital commitments totalling BD13,436,184 associated with the completion of the hotel and residential property under construction. If the Company is to continue to meet its obligations, adequate lines of funding will be required. The Company attempted to secure additional funding through an issue of shares in 2012, which has not yet been completed. The Board of Directors are currently negotiating loan facilities with its bankers and are confident of obtaining sufficient future loan funding. In management's opinion, the loan facility together with continued equity commitment from the major shareholders continues to make the development viable. Our opinion is not qualified in respect of this matter.

### **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 2012.




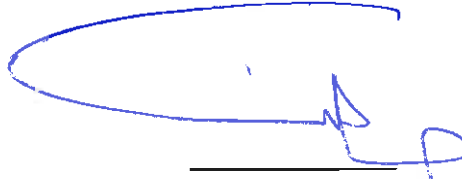
Manama, Kingdom of Bahrain  
25 February 2013

**Banader Hotels Company B.S.C.**  
**Statement of financial position as at 31 December 2012**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,049,082	3,049,258
Capital work-in-progress	6	15,709,895	14,969,203
		<u>18,758,977</u>	<u>18,018,461</u>
<b>Current assets</b>			
Prepayments and other receivables	7	2,276,604	2,220,486
Cash and cash equivalents	8	741,437	498,127
		<u>3,018,041</u>	<u>2,718,613</u>
<b>Total assets</b>		<u><b>21,777,018</b></u>	<u><b>20,737,074</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	15,000,000	15,000,000
Share capital received in advance	9	1,907,300	-
Statutory reserve	10	65,681	65,681
Retained earnings		289,697	466,676
		<u>17,262,678</u>	<u>15,532,357</u>
<b>Non-current liabilities</b>			
Retention payables		<u>1,043,060</u>	<u>937,212</u>
<b>Current liabilities</b>			
Accruals and other payables	12	<u>3,471,280</u>	<u>4,267,505</u>
<b>Total equity and liabilities</b>		<u><b>21,777,018</b></u>	<u><b>20,737,074</b></u>

These financial statements, set out on pages 11 to 29, were approved for issue by the Board of Directors on 25 February 2013 and signed on its behalf by:

  
 Abdulla Hassan Buhindi  
 Chairman

  
 Jihad Yusuf Amin  
 Vice-Chairman

**Banader Hotels Company B.S.C.**  
**Statement of comprehensive income for the year ended 31 December 2012**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Other income	13	<u>5,159</u>	<u>28,570</u>
<b>Expenses</b>			
Staff costs		(40,804)	(40,698)
General and administrative expenses		(140,660)	(91,584)
Finance costs	14	(186)	(355)
Depreciation	5	<u>(488)</u>	<u>(1,603)</u>
		<u>(182,138)</u>	<u>(134,240)</u>
<b>Net loss and total comprehensive loss for the year</b>		<u>(176,979)</u>	<u>(105,670)</u>
<b>Loss per share</b>	15	<u>(1.180 fils)</u>	<u>(0.704 fils)</u>

**Banader Hotels Company B.S.C.**  
**Statement of changes in shareholders' equity for the year ended 31 December 2012**  
**(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 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		-	437,683	-	-	437,683
Transferred to share capital		<u>7,500,000</u>	<u>(7,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2011		15,000,000	-	65,681	466,676	15,532,357
Total comprehensive loss for the year		-	-	-	(176,979)	(176,979)
Preference share subscription money received from the shareholders	9	-	<u>1,907,300</u>	<u>-</u>	<u>-</u>	<u>1,907,300</u>
At 31 December 2012		<u>15,000,000</u>	<u>1,907,300</u>	<u>65,681</u>	<u>289,697</u>	<u>17,262,678</u>

**Banader Hotels Company B.S.C.**  
**Statement of cash flows for the year ended 31 December 2012**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<b>Operating activities</b>			
Net loss for the year		(176,979)	(105,670)
Adjustments for:			
Depreciation	5	488	1,603
Bank interest income	13	(4,934)	(28,200)
Finance costs	14	186	355
Profit on sale of property, plant and equipment		-	(69)
Changes in operating assets and liabilities:			
Prepayments and other receivables		(56,118)	789,020
Retention payables		105,848	572,549
Accruals and other payables		<u>(796,225)</u>	<u>3,512,525</u>
Net cash (used in)/provided by operating activities		<u>(927,734)</u>	<u>4,742,113</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	5	(312)	(148)
Proceeds from sale of property, plant and equipment		-	310
Expenditure incurred on capital work-in-progress	6	(740,692)	(7,431,367)
Bank interest income received	13	<u>4,934</u>	<u>28,200</u>
Net cash used in investing activities		<u>(736,070)</u>	<u>(7,403,005)</u>
<b>Financing activities</b>			
Preference share subscription money received from the shareholders	9	1,907,300	-
Share subscription money received from the shareholders		-	437,683
Finance costs paid	14	<u>(186)</u>	<u>(355)</u>
Net cash provided by financing activities		<u>1,907,114</u>	<u>437,328</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		243,310	(2,223,564)
Cash and cash equivalents, beginning of the year		<u>498,127</u>	<u>2,721,691</u>
Cash and cash equivalents, end of the year	8	<u><u>741,437</u></u>	<u><u>498,127</u></u>

**1 Organisation and activities**

Banader Hotels Company B.S.C. ("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 justification for the continued use of the going concern convention is described in Note 17 to the financial statements.

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 2012 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 2012 or subsequent periods, but are not relevant to the Company's operations:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 12	Income Taxes	1 January 2012
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2011
IFRS 7	Financial Instruments - Disclosures	1 July 2011

2 Basis of preparation (continued)

*Improvements/amendments to IFRS 2009/2011 cycle*

Improvements/amendments to IFRS issued in 2009/2011 cycle 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 annual audited financial statements beginning on or after 1 January 2013 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 2012*

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2012 or subsequent periods have not been early adopted by the Company's management:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	Presentation of Financial Statements	1 July 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
IAS 32	Financial Instruments - Presentation	1 January 2014
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 7	Financial Instruments - Disclosures	1 January 2013/ 1 January 2015
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2015
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
IFRIC 20	Stripping Costs in the Production Phase of Surface Mine	1 January 2013

There would have been no change in the operational results of the Company for the year ended 31 December 2012 had the Company early adopted any of the above standards applicable to the Company.

*Early adoption of amendments or standards in 2012*

The Company did not early-adopt any new or amended standards in 2012.



### 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.

***Operating 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.

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**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 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
Additions	-	312	-	312
At 31 December 2012	<u>3,048,313</u>	<u>15,567</u>	<u>4,775</u>	<u>3,068,655</u>
<b>Accumulated depreciation</b>				
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
Charge for the year	-	488	-	488
At 31 December 2012	-	<u>14,798</u>	<u>4,775</u>	<u>19,573</u>
<b>Net book amount</b>				
At 31 December 2012	<u>3,048,313</u>	<u>769</u>	-	<u>3,049,082</u>
At 31 December 2011	<u>3,048,313</u>	<u>945</u>	-	<u>3,049,258</u>

The Company operates from premises leased at a monthly rental of BD760 (2011: BD760 per month) (Note 19).

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 (2011: BD4,152,000) as the basis for ensuring that no provision for impairment is considered necessary.

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**6 Capital work-in-progress**

	<u>31 December 2012</u>	<u>31 December 2011</u>
Opening balance	14,969,203	7,537,836
Construction costs incurred during the year	531,881	6,642,486
Consultancy and architect fees	<u>208,811</u>	<u>788,881</u>
Closing balance	<u>15,709,895</u>	<u>14,969,203</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**

	<u>31 December 2012</u>	<u>31 December 2011</u>
Advances paid to contractors	2,272,029	2,216,183
Accrued interest on fixed deposits	423	1,077
Prepayments and other receivables	<u>4,152</u>	<u>3,226</u>
	<u>2,276,604</u>	<u>2,220,486</u>

As at 31 December, the ageing of unimpaired prepayments and other receivables are as follows:

	<u>Total</u>	<u>Less than or equal to 6 months</u>	<u>More than 6 months</u>
At 31 December 2012	<u>2,276,604</u>	<u>4,985</u>	<u>2,271,619</u>
At 31 December 2011	<u>2,220,486</u>	<u>4,713</u>	<u>2,215,773</u>

In the opinion of the Company's management, the carrying values of prepayments and other receivables disclosed above reasonably approximate their fair values as at 31 December 2012.

**8 Cash and cash equivalents**

	<u>31 December 2012</u>	<u>31 December 2011</u>
Fixed deposits	362,782	462,195
Current account balances with a bank	378,586	35,880
Cash on hand	<u>69</u>	<u>52</u>
	<u>741,437</u>	<u>498,127</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 earns an effective interest rate of 1.05% per annum (2011: between 1.50% and 2% per annum).

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

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

	<u>31 December 2012</u>	<u>31 December 2011</u>
<b>Authorised share capital:</b>		
<i>Ordinary shares</i>		
300,000,000 ordinary shares of 100 fils each (2011: 300,000,000 ordinary shares of 100 fils each)	<u>30,000,000</u>	<u>30,000,000</u>
<i>Irredeemable preference shares</i>		
57,500 preference shares of BD100 each	<u>5,750,000</u>	<u>-</u>
<b>Issued share capital:</b>		
<i>Ordinary shares</i>		
150,000,000 ordinary shares of 100 fils each (2011: 150,000,000 ordinary shares of 100 fils each)	<u>15,000,000</u>	<u>15,000,000</u>
<i>Irredeemable preference shares</i>		
57,500 preference shares of BD 100 each	<u>5,750,000</u>	<u>-</u>
<b>Called and fully paid-up capital:</b>		
<i>Ordinary shares</i>		
150,000,000 ordinary shares of 100 fils each (2011: 150,000,000 ordinary shares of 100 fils each)	<u>15,000,000</u>	<u>15,000,000</u>
<b>Share capital received in advance:</b>		
19,073 preference shares of BD100 each	<u>1,907,300</u>	<u>-</u>

An Extraordinary General Meeting of the Shareholders held on 29 March 2012 resolved to issue non-participating, irredeemable, non-cumulative, convertible preference shares to the existing shareholders and authorised the Board of Directors to process the related formalities.

Subsequently, on 7 May 2012, the Board of Directors passed a resolution to call for shareholders' subscription towards the issue of 57,500 convertible, non-redeemable, non-cumulative, non-participating preference shares of BD100 each, at par, with a maturity period of two years from the date of the allotment with a possible extension for up to additional two years at the discretion of the Board.

As at 31 December 2012, subscriptions for 19,073 preference shares had been received. This issue has been underwritten by two major shareholders for up to 50,000 preference shares, subject to the finalisation of a loan facility with financial institutions for the amount necessary to complete the project. Necessary legal formalities to amend the Memorandum and Articles of Association of the Company with the relevant ministries in the Kingdom of Bahrain have not yet been completed.

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

**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:

	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of shareholding interest</u>
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	<u>78,108,127</u>	<u>52.07%</u>
		<u>150,000,000</u>	<u>100%</u>

- ii) The Company has only one class of equity shares and the holders of the shares have equal voting rights.
- iii) The distribution pattern of equity shares, setting out the number of shareholders and percentages in the following categories is as follows:

	<u>31 December 2012</u>		
	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares</u>
Less than 1%	3,253	58,314,634	38.88%
1% up to less than 5%	10	19,793,493	13.19%
5% up to less than 10%	2	26,189,993	17.46%
10% up to less than 50%	<u>1</u>	<u>45,701,880</u>	<u>30.47%</u>
	<u>3,266</u>	<u>150,000,000</u>	<u>100.00%</u>

	<u>31 December 2011</u>		
	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares</u>
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%	<u>1</u>	<u>45,501,880</u>	<u>30.34%</u>
	<u>3,270</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 2012 was 10.40% (2011: 10.40%).

**10 Statutory reserve**

In accordance with the provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001 and the Company's Memorandum and Article of Association, 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 (2011: 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 2012 amounted to BD1,326 (2011: BD1,279).

	31 December <u>2012</u>	31 December <u>2011</u>
Number of staff employed by the Company	<u>3</u>	<u>3</u>

12 Accruals and other payables

	31 December <u>2012</u>	31 December <u>2011</u>
Other payables	3,450,145	4,245,460
Subscription to share capital to be refunded	15,944	15,944
Accrued expenses	<u>5,191</u>	<u>6,101</u>
	<u><b>3,471,280</b></u>	<u><b>4,267,505</b></u>

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 2012.

**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.

	<u>At 31 December 2012</u>				
	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Accruals and other payables	235,965	3,235,315	-	-	3,471,280
Retention payables	-	-	<u>105,848</u>	<u>937,212</u>	<u>1,043,060</u>
	<u><b>235,965</b></u>	<u><b>3,235,315</b></u>	<u><b>105,848</b></u>	<u><b>937,212</b></u>	<u><b>4,514,340</b></u>
	<u>At 31 December 2011</u>				
	Up to 3 Months	Between 3 and 12 Months	Between 1 and 2 years	Between 2 and 5 Years	Total
Accruals and other payables	65,588	4,201,917	-	-	4,267,505
Retention payables	-	-	<u>446,265</u>	<u>490,947</u>	<u>937,212</u>
	<u><b>65,588</b></u>	<u><b>4,201,917</b></u>	<u><b>446,265</b></u>	<u><b>490,947</b></u>	<u><b>5,204,717</b></u>



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**13 Other income**

	Year ended 31 December <u>2012</u>	Year ended 31 December <u>2011</u>
Bank interest income	4,934	28,200
Miscellaneous income	<u>225</u>	<u>370</u>
	<u><u>5,159</u></u>	<u><u>28,570</u></u>

**14 Finance costs**

	Year ended 31 December <u>2012</u>	Year ended 31 December <u>2011</u>
Bank charges	<u>186</u>	<u>355</u>

**15 Loss 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>2012</u>	Year ended 31 December <u>2011</u>
Net loss attributable to the shareholders	<u>(176,979)</u>	<u>(105,670)</u>
Weighted average number of ordinary shares issued	<u>150,000,000</u>	<u>150,000,000</u>
Loss per share	<u>(1.180 fils)</u>	<u>(0.704 fils)</u>

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

**16 Proposed dividend and directors' fees**

The Board of Directors do not propose to pay dividends nor directors fees for the year ended 31 December 2012 (2011: dividends of BDNil and directors fees of BDNil).

**17 Going concern**

The Company's current liabilities exceeds its current assets by BD453,239, and note 19 which explains that the Company has capital commitments totalling BD13,436,184 associated with the completion of the hotel and residential property under construction. If the Company is to continue to meet its obligations adequate lines of funding will be required. The Company attempted to secure additional funding through an issue of shares in 2012, which has not yet been completed. The Board of Directors are currently negotiating loan facilities with its bankers and are confident of obtaining sufficient future loan funding. In management's opinion, the loan facility together with continued equity commitment from the major shareholders continues to make the development viable. Consequently, the Board of Directors believes the continued use of the going concern concept when preparing these financial statements is fully justified.

**18 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. Included in staff costs is remuneration paid to, and expenses paid on behalf of the Directors amounting to BD28,800 (2011: BD28,800). The Board of Directors were paid an attendance fee of BD12,600 during the year ended 31 December 2012 (2011: BD13,400).

There were no other related party transactions during the year ended 31 December 2012 (2011: BDNil).

**19 Capital and operating lease commitments**

***Operating lease commitments***

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

	<u>31 December 2012</u>	<u>31 December 2011</u>
Not later than one year	<u>760</u>	<u>760</u>

***Capital commitments***

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

	<u>31 December 2012</u>	<u>31 December 2011</u>
Construction costs	13,402,189	13,782,916
Project management, engineering and consultancy fees	<u>33,995</u>	<u>301,462</u>
	<u>13,436,184</u>	<u>14,084,378</u>

**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.

### 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 2012 and 2011.

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 <u>2012</u>	31 December <u>2011</u>
Retention payables	1,043,060	937,212
Accruals and other payables	3,471,280	4,267,505
Less: cash and cash equivalents	<u>(741,437)</u>	<u>(498,127)</u>
Net debt	<u>3,772,903</u>	<u>4,706,590</u>
Share capital	15,000,000	15,000,000
Share capital received in advance	1,907,300	-
Statutory reserve	65,681	65,681
Retained earnings	<u>289,697</u>	<u>466,676</u>
Total capital	<u>17,262,678</u>	<u>15,532,357</u>
Total capital and net debt	<u>21,035,581</u>	<u>20,238,947</u>
Gearing ratio	<u>17.94%</u>	<u>23.25%</u>

21 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 payables
- Accruals and other payables

A summary of the financial instruments held by category is provided below as at 31 December 2012:

<u>Financial assets</u>	<u>Loans and receivables</u>
Cash and cash equivalents	741,437
Prepayments and other receivables	<u>2,276,604</u>
Total financial assets	<u>3,018,041</u>
	<u>Financial liabilities</u>
	<u>at amortised cost</u>
Accruals and other payables	3,471,280
Retention payables	<u>1,043,060</u>
Total financial liabilities	<u>4,514,340</u>

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

<u>Financial assets</u>	<u>Loans and receivables</u>
Cash and cash equivalents	498,127
Prepayments and other receivables	<u>2,220,486</u>
Total financial assets	<u>2,718,613</u>
	<u>Financial liabilities</u>
	<u>at amortised cost</u>
Accruals and other payables	4,267,505
Retention payables	<u>937,212</u>
Total financial liabilities	<u>5,204,717</u>

**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.

21 Financial assets and liabilities and risk management (continued)

	<u>At 31 December 2012</u>	
	<u>Carrying value</u>	<u>Maximum exposure</u>
<i>Financial assets</i>		
Cash and cash equivalents	741,437	741,437
Prepayments and other receivables	<u>2,276,604</u>	<u>2,276,604</u>
Total financial assets	<u>3,018,041</u>	<u>3,018,041</u>
	<u>At 31 December 2011</u>	
	<u>Carrying value</u>	<u>Maximum exposure</u>
<i>Financial assets</i>		
Cash and cash equivalents	498,127	498,127
Prepayments and other receivables	<u>2,220,486</u>	<u>2,220,486</u>
Total financial assets	<u>2,718,613</u>	<u>2,718,613</u>

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

**Currency rate risk** is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's foreign currency transactions are predominantly in United States Dollars which is effectively pegged to the Bahrain Dinar. Accordingly, management assesses the Company's exposure to currency rate risk as minimal.

**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, in the opinion of the management, are not materially different from their carrying amounts.

22 Subsequent events

There were no events subsequent to 31 December 2012 and occurring before the date of the report that are expected to have a significant impact on these financial statements.