Banader Hotels Company B.S.C.

Financial statements for the
year ended 31 December 2013

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Commercial registration no.	59045 obtained on 20 December 2005	
Directors	Mr Abdulla Hassan Buhindi	- Chairman
	Mr Jehad Yusuf Amin	- Vice-Chairman
	Mr Khalid Ali Al-Ameen	
	Mr Mohammed Farooq Almoayyed	
	Mr Ammar Al Hassan	
	Mr Suhail Mohammed Hajee	
	Mr Solaiman Ahmed Al-Hoqani	
	Mr Nael Jamil Hashweh	
	Mr Yusuf Abdulrahman Fakhro	
Audit Committee	Mr Mohammed Farooq Almoayyed	- Chairman
	Mr Khalid Al-Amin	- Vice-Chairman
	Mr Ammar Al Hassan	
	Mr Yusuf Abdulrahman Fakhro	
General Manager	Mr Abdulrahman Almokla	- Acting General Manager
	(appointed with effect from 1 January 2013)	
	Mr Ebrahim M. A. Bucheery	
	(resigned with effect from 1 January 2013)	
Registered office	Flat No. 13, 1st Floor, Entrance 4 Manama Centre Government Avenue PO Box 2474 Manama Kingdom of Bahrain	
Bankers	Bank of Bahrain and Kuwait Kuwait Finance House	
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	
Registrar	Fakhro Karvy Computershare W.L.L. PO Box 514 Manama Kingdom of Bahrain	

شركة بنادر للفنادق
BANADER HOTELS CO

Directors' Report

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

It is my pleasure to present to you the eighth annual report on Banader Hotels Company BSC activities during the Year 2013. This report also includes the Audited Financial Statements for the Year-ended on 31st December, 2013.

During 2013 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. Banader's Board was able to secure a loan of 18,000,000 Million BD from KFH "Kuwait Finance House" with favorable terms and conditions and the loan agreement was signed in June 2013. Banader Also accepted the convertible loan from BMMI of 6,000,000 Million BD on 8th October 2013. The Company therefore as stated earlier achieved in the second quarter of 2013 the project funding through a combination of equity and debt.

The Company's expenditures during 2013 were mainly incurred for the construction project work after the recommencement of the project in August 24th 2013 and in addition to the usual amounts of administrative expenses and consultants' fees.

The Board of Directors continued to closely monitor the construction of the hotel. The following were the major activities during 2013, as well as the latest status of the project:

1. **The Board of Directors reduced the Project's consultant's fee to 20,000 BD per month in an effort to reduce the project running cost. The contractor also accepted to waive all previous claims due to the project's suspension for more than 1 year. The Main Contractor accepted to waive 1,000,000 from his total claims. In return Banader was able to pay the Main Contractor in August 2013 the previous money owed to him totaling 4,200,000. The main Contractor accepted also to waive the finance charges due to late payments by Banader Hotels Company. The main contractor also accepted to keep the unit rates of all the items in the contract.**

2. **The main contractor at the request of Banader Hotels Company was able to reduce another 1,500,000 BD as value engineering exercise without compromising on quality or specifications of the project.**

3. **By the end December 2013, the following works were completed: 100% of the structural concreting, the slab concreting to the 28th floor, 100% of the block work, 70% of electro-mechanical work, and 30% of external cladding. Major works in 2013 were the continued electrical and mechanical works, elevators' works and aluminum, glass works. Also the Interior Design works started in October 2013. Audio Visual works also started in December 2013.**

4. **As the result of the recommencement by the main contractor in August 2013 and his sub-contractors the Project estimated completion date was shifted from the original estimated date to April, 2015, provided works on the Project continues normally.**

The Board of Directors wishes to assure the Shareholders that it will continue to strive to achieve the Company's goals and objectives, and to fulfill their aspirations by finishing 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 Creditor Kuwait Finance House, BMMI the main contractor G.P. Zachariades, 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 2013.

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

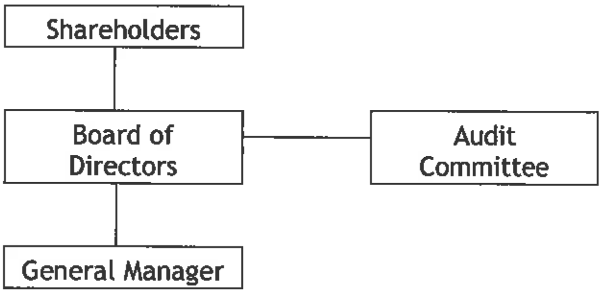
05th February, 2014

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 11.49% at 31st December, 2013. More details are given in Note 9 to the Financial Statements.

CORPORATE GOVERNANCE REPORT

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 generally accepted international accounting and auditing standards.

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 31 December, 2013, Banader Hotels Co. Board comprised 9 members. Next full election will be in the 2015 Annual General Meeting:

Abdulla Hassan Buhindi	Chairman	Independent	Non Executive
Jehad Yusuf Amin	Vice Chairman	Non-independent	Non Executive
Khalid Ali Al Ameen	Member	Independent	Non Executive
Mohammed Farooq Al Moayyed	Member	Independent	Non Executive
Suhail Mohammed Hajee	Member	Non-independent	Non Executive
Ammar Aqeel Mohamed	Member	Non-independent	Executive
Solaiman Ahmed Al-Hoqani	Member	Independent	Non Executive
Nael Jamil Hashweh	Member	Independent	Non Executive
Yusuf Abdulrahman Fakhro	Member	Independent	Non Executive

CORPORATE GOVERNANCE REPORT

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 member since November, 2005 and was appointed on 8th February, 2012 as the vice -chairman of the 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 member for 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 board member and a member of the executive committee of BMMI. He is a board member of the audit committee of Bahrain Cinema Company. He is also director of Gulf Gourmet Group-Bahrain.

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 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. 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.

Mr. Yousuf Abdulrahman Fakhro
Mr. Fakhro holds a bachelor of Internationals 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. **Abdulrahman Abdulla Almokla** joined the company in January 2013. He currently holds the position of the Acting General Manager. He has over 12 years of experience and held various key positions including managerial positions in the field of investments and finance.
He holds Higher National Diploma in Accounting from Bahrain University

CORPORATE GOVERNANCE REPORT

Board Meetings:
The Board met 4 times during the period from January to December, 2013. The attendance of these meeting by members was as follows:

Board Meeting No./Year	Date	Number of Members Attended	Number of Members Excused
1/2013	25th February	9	-
2/2013	30th May	7	2
3/2013	30th July	6	3
4/2013	8th October	9	-

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.

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 2013.

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. 9,400, for this purpose, during 2013.

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.

BDO

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Kingdom of Bahrain

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 2013, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
The management 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 2013, and 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 2013.

BDO

Manama, Kingdom of Bahrain
5 February 2014

Banader Hotels Company B.S.C.
Statement of financial position as at 31 December 2013
(Expressed in Bahrain Dinars)

	Notes	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,050,393	3,049,082
Capital work-in-progress	6	17,803,075	15,709,895
		20,853,468	18,758,977
Current assets			
Prepayments and other receivables	7	3,738,071	2,276,604
Cash and cash equivalents	8	1,305,376	741,437
		5,043,447	3,018,041
Total assets		25,896,915	21,777,018
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	15,000,000	15,000,000
Preference shares subscription	9	6,115,300	1,907,300
Statutory reserve	10	65,681	65,681
Retained earnings		111,289	289,697
		21,292,270	17,262,678
Non-current liabilities			
Non-current portion of Murabaha facility	11	2,881,228	-
Retention payables		1,139,381	1,043,060
Employees' terminal benefits	12	1,457	-
		4,022,066	1,043,060
Current liabilities			
Accruals and other payables	13	582,579	3,471,280
Total equity and liabilities		25,896,915	21,777,018

These financial statements, set out on pages 12 to 35, were approved for issue by the Board of Directors on 5 February 2014 and signed on its behalf by:

Abdulla Hassan Buhindi
Chairman

Jehad Yusuf Amin
Vice-Chairman

Banader Hotels Company B.S.C.
Statement of profit or loss and other comprehensive income for the year ended 31 December 2013
(Expressed in Bahrain Dinars)

	Notes	2013	2012
Other income	14	3,582	5,159
Expenses			
General and administrative expenses	15	(181,990)	(182,138)
Net loss and total comprehensive loss for the year		(178,408)	(176,979)
Basic loss per share	16	(1.189 fils)	(1.180 fils)
Diluted loss per share	16	(1.106 fils)	(1.180 fils)

Banader Hotels Company B.S.C.
Statement of changes in shareholders' equity for the year ended 31 December 2013
(Expressed in Bahrain Dinars)

	Notes	Share capital	Preference shares subscription	Statutory reserve	Retained earnings	Total
At 31 December 2011		15,000,000	-	65,681	466,676	15,532,357
Net loss and total Comprehensive loss for the year		-	-	-	(176,979)	(176,979)
Preference share subscription money received from the shareholders	9	-	1,907,300	-	-	1,907,300
At 31 December 2012		15,000,000	1,907,300	65,681	289,697	17,262,678
Net loss and total comprehensive loss for the year		-	-	-	(178,408)	(178,408)
Net preference share subscription money received from the shareholders	9	-	4,208,000	-	-	4,208,000
At 31 December 2013		15,000,000	6,115,300	65,681	111,289	21,292,270

Banader Hotels Company B.S.C.
Statement of cash flows for the year ended 31 December 2013
(Expressed in Bahrain Dinars)

	Notes	2013	2012
Operating activities			
Net loss for the year		(178,408)	(176,979)
Adjustments for:			
Depreciation	5	558	488
Bank interest income	14	(3,582)	(4,934)
Finance costs	15	209	186
Changes in operating assets and liabilities:			
Prepayments and other receivables		(1,461,467)	(56,118)
Retention payables		96,321	105,848
Accruals and other payables		(2,888,701)	(796,225)
Employees' terminal benefits, net		1,457	-
Net cash used in operating activities		(4,433,613)	(927,734)
Investing activities			
Purchase of property, plant and equipment	5	(1,869)	(312)
Expenditure incurred on capital work-in-progress	6	(2,093,180)	(740,692)
Bank interest income received	14	3,582	4,934
Net cash used in investing activities		(2,091,467)	(736,070)
Financing activities			
Net movement in Murabaha facility		2,881,228	-
Net preference share subscription money received from the shareholders	9	4,208,000	1,907,300
Finance costs paid	14	(209)	(186)
Net cash provided by financing activities		7,089,019	1,907,114
Net increase in cash and cash equivalents		563,939	243,310
Cash and cash equivalents, beginning of the year		741,437	498,127
Cash and cash equivalents, end of the year	8	1,305,376	741,437

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 and using going concern assumption. The financial statements have been presented in Bahrain Dinars which is the functional currency of the Company.

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.

Improvements/amendments to IFRS 2011/2013 cycle

Improvements/amendments to IFRS issued in 2011/2013 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 2014 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

2 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2013

The following new standards, amendments to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted in the preparation of the financial statements:

a) IAS 1 - "Presentation of Financial Statements"

The main change requires entities to present line items for OCI amounts by nature and to group items presented in OCI into two categories:

- those that could subsequently be reclassified to profit or loss (reclassification adjustments); and
- those that that will not be reclassified.

In addition, a change was made to the title of the statement of comprehensive income. This is now referred to as the 'statement of profit or loss and other comprehensive income'. However, the flexibility currently in IAS 1 to use other titles will remain.

b) IFRS 13 - "Fair Value Measurement"

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other IFRSs.

As a result, the guidance and requirements relating to fair value measurement that were previously located in other IFRSs have now been relocated to IFRS 13. IFRS 13 intends to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

IFRS 13 did not materially affect any fair value measurements of the Company's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Company's financial position or performance.

In addition, IFRS 13 is to be applied prospectively and therefore comparative disclosures have not been presented.

See note 4 and 21 for critical accounting estimates and judgements and further references for more details related to fair value measurement.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2013 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 2013 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 16	Property, Plant and Equipment	1 January 2013
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 2013
IAS 34	Interim Financial Reporting	1 January 2013
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 January 2013
IFRS 7	Financial Instruments - Disclosures	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
IFRIC 20	Stripping Costs in the Production Phase of Surface Mine	1 January 2013

Standards, amendments and interpretations issued but not yet effective in 2013

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2013 or subsequent periods have not been early adopted by the Company's management. The Company's management intends to adopt these standards with effect from their initial application date as mentioned below:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 16	Property, Plant and Equipment	1 July 2014
IAS 24	Related Party Disclosures	1 July 2014
IAS 32	Financial Instruments - Presentation	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 38	Intangible Assets	1 July 2014
IAS 40	Investment Property	1 July 2014
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2014
IFRS 2	Share Based Payment	1 July 2014
IFRS 3	Business Combinations	1 July 2014
IFRS 7	Financial Instruments - Disclosures	1 January 2015
IFRS 8	Operating Segments	1 July 2014
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2015
IFRS 13	Fair Value Measurement	1 July 2014
IFRIC 21	Levies	1 January 2014

There would have been no change in the accounting policies and operational results of the Company for the year ended 31 December 2013 had the Company early adopted any of the above standards applicable to the Company.

2 Basis of preparation (continued)

Early adoption of amendments or standards in 2013

The Company did not early-adopt any new or amended standards in 2013.

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 profit or loss and other 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.

Financial assets

a. Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers and also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

3 Significant accounting policies (continued)

Financial assets (continued)

The Company's loans and receivables comprise other receivables excluding prepayments and cash and cash equivalents in the statement of financial position.

Other receivables are carried at their anticipated realisable values. An estimate is made for impaired receivables based on a review of all outstanding amounts at the year-end. Impaired other receivables which are not considered recoverable are written-off when they are identified.

Financial liabilities

The financial liabilities of the Company consist of retention payables, provisions and accruals and other payables. These financial liabilities are initially recognised at fair value and are subsequently remeasured at amortised cost using the effective interest method.

Provisions

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

Employees' terminal benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Company's contributions are charged to the statement of comprehensive income in the year to which they relate. In respect of this plan, the Company has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Company accrues for its liability in this respect on an annual basis.

3 Significant accounting policies (continued)

Borrowing and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, these are stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Preference shares

The proceeds received on issue of the Company's convertible preference shares are allocated into its equity component. The amount initially attributed to the preference shares equals the discounted cash flows using a market rate of interest that would be payable on a similar equity instrument that does not include an option to convert.

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 profit or loss and other 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.

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;
- fair value measurement;
- going concern; and
- contingencies.

Economic useful lives of property, plant and equipment

The Company's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Useful economic lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Company that either require fair value measurements or only fair value disclosures as at 31 December 2013 is shown in Note 21.

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.

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.

5 Property, plant, and equipment

	Freehold land	Office equipment	Motor vehicles	Total
Cost				
At 31 December 2011	3,048,313	15,255	4,775	3,068,343
Additions	-	312	-	312
At 31 December 2012	3,048,313	15,567	4,775	3,068,655
Additions	-	1,869	-	1,869
At 31 December 2013	3,048,313	17,436	4,775	3,070,524
Accumulated depreciation				
At 31 December 2011	-	14,310	4,775	19,085
Charge for the year (Note 15)	-	488	-	488
At 31 December 2012	-	14,798	4,775	19,573
Charge for the year (Note 15)	-	558	-	558
At 31 December 2013	-	15,356	4,775	20,131
Net book amount				
At 31 December 2013	3,048,313	2,080	-	3,050,393
At 31 December 2012	3,048,313	769	-	3,049,082

The Company operates from premises leased at a monthly rental of BD760 (2012: BD760 per month) (Note 19).

During the year, the Company has obtained a professional valuation of the freehold land from three independent property valuers which the value ranged between BD4,152,105 and BD5,490,005 and on a conservative basis, the Company has taken the lowest valuation of BD4,152,105 (2012: BD4,152,105) as the basis for ensuring that no provision for impairment is considered necessary.

Freehold land is mortgage against the Murabaha facility obtained by the Company (Note 11).

6 Capital work-in-progress

	31 December 2013	31 December 2012
Opening balance	15,709,895	14,969,203
Construction costs incurred during the year	1,643,727	531,881
Consultancy and architect fees	449,453	208,811
Closing balance	17,803,075	15,709,895

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.

Construction costs incurred during the year include capitalised interest of BD26,977 over Murabaha facility obtained by the Company (Note 11).

7 Prepayments and other receivables

	31 December 2013	31 December 2012
Advances paid to contractors	3,733,857	2,272,029
Prepayments and other receivables	4,214	4,152
Accrued interest on fixed deposits	-	423
	3,738,071	2,276,604

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

	Total	Less than or equal to 6 months	More than 6 months
At 31 December 2013	3,738,071	4,214	3,733,857
At 31 December 2012	2,276,604	4,985	2,271,619

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 2013.

8 Cash and cash equivalents

	31 December 2013	31 December 2012
Current account balances with banks	1,305,373	378,586
Fixed deposits	-	362,782
Cash on hand	3	69
	1,305,376	741,437

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

The fixed deposits held with the Company's bankers which had original maturities of less than or equal to 90 days and earned an effective interest rate of 0.08% to 1.05% per annum (2012: 1.05% per annum) matured during the year.

9 Share capital and preference shares subscription

	31 December 2013	31 December 2012
Authorised share capital:		
Ordinary shares		
300,000,000 ordinary shares of 100 fils each (2012: 300,000,000 ordinary shares of 100 fils each)	30,000,000	30,000,000
Irredeemable preference shares		
64,500 preference shares of BD100 each (2012: 57,500 preference shares of BD100 each)	6,450,000	5,750,000
Issued share capital:		
Ordinary shares		
150,000,000 ordinary shares of 100 fils each (2012: 150,000,000 ordinary shares of 100 fils each)	15,000,000	15,000,000
Irredeemable preference shares		
64,500 preference shares of BD 100 each (2012: 57,500 preference shares of BD 100 each)	6,450,000	5,750,000
Called and fully paid-up capital:		
Ordinary shares		
150,000,000 ordinary shares of 100 fils each (2012: 150,000,000 ordinary shares of 100 fils each)	15,000,000	15,000,000
Preference shares subscription:		
61,153 preference shares of BD100 each (2012: 19,073 preference shares of BD100 each)	6,115,300	1,907,300

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 2013, subscriptions for 61,153 preference shares had been received after amounts were refunded to shareholders during the period for 400 preference shares amounting to BD40,000. This issue has been underwritten by two major shareholders for up to 80,000 preference shares, upon the finalisation of a loan facility with Kuwait Finance House 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.

The shareholders of the Company approved to increase the total number of the irredeemable preference shares to 64,500 in their extra ordinary Annual Meeting held on 8 October 2013.

9 Share capital and preference shares subscription (continued)

On 17 June 2013, the Company has signed an Islamic Murabaha agreement of BD18 Million with Kuwait Finance House to finance the completion of construction work of the hotel and residential complex at Bab-Al-Bahrain, Manama, Kingdom of Bahrain (Note 11). This facility is subject to the injection of the capital contribution of BD6 Million which will be utilised towards the project and during the year, this covenant has been complied through the injection of additional capital made by one of the key shareholders in the form of preference shares subscription.

In the event of the default or delay in payment of two consecutive instalments, the bank has the right to cancel the facility and is entitled to sell the properties mortgaged in its favour at its sole discretion and to settle the dues of the Company. Also, in the event of the drop in the value of the properties offered as security, the Company should provide additional properties or other securities to maintain present security coverage.

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 B.S.C.	Bahraini	45,701,880	30.47%
Sulaiman Ahmed Saeed Al-Hoqani	Emirati	14,939,993	9.96%
Nasser Mohamed Al-Nuwais	Emirati	11,150,000	7.43%
General public	Various	78,208,127	52.14%
		150,000,000	100.00%

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 2013		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,251	58,856,078	39.24%
1% up to less than 5%	10	19,352,049	12.90%
5% up to less than 10%	2	26,089,993	17.39%
10% up to less than 50%	1	45,701,880	30.47%
	3,264	150,000,000	100.00%

	31 December 2012		
	Number of shareholders	Number of shares	Percentage of total outstanding shares
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%	1	45,701,880	30.47%
	3,266	150,000,000	100.00%

iv) The percentage of shares held by the Directors to the total number of shares at 31 December 2013 was 11.49% (2012: 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 (2012: BDNil).

11 Murabaha facility

	31 December 2013	31 December 2012
Kuwait Finance House	2,881,228	-

This represents the Murabaha facility of BD18 million obtained from Kuwait Finance House to finance the completion of construction work of the hotel and residential complex at Bab-Al-Bahrain, Manama, Kingdom of Bahrain. This facility bears profit at reducing rate of 6.75% per annum and this rate is subject to revision after 26 months from drawn date and thereafter. The Company will have a grace period of 26 months with no requirement to service the profit during the first 18 months and quarterly repayment of profit thereafter. At the end of the grace period; the Company will have the options of settlement of the principle and profit or rollover by granting a new facility for a set interval at the bank's discretion for a maximum of 154 months including a 4 month grace period with service of profit. The loan is secured against the demand of promissory note duly signed by the authorised signatories, mortgage of land and building bearing title deed number 146959, assignment of performance bond on favour of the bank, post dated security cheques, assignment of the Hotel project's proceeds to the account with the bank and letter of comfort from the main shareholder to support the project.

The entire portion of the bank borrowings has been classified as non-current liability since the borrowings are repayable after twelve months from the statement of financial position date.

The table below analyses the Company's borrowings into relevant maturity groupings based on the remaining period at the statement of financial position date 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.

	31 December 2013
Between 2 and 5 years	2,881,228

12 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 2013 amounted to BD1,938 (2012: BD1,326).

12 Employees' terminal benefits (continued)

Expatriate employees

The movement in leaving indemnity liability applicable to expatriate employees is as follows:

	31 December 2013	31 December 2012
Accruals for the year and as at 31 December	1,457	-
Number of staff employed by the Company	4	3

13 Accruals and other payables

	31 December 2013	31 December 2012
Other payables	563,947	3,450,145
Refundable subscription to share capital	15,944	15,944
Accrued expenses	2,688	5,191
	582,579	3,471,280

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 2013 and 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.

					At 31 December 2013
	Up to 3 Months	Between 3 and 12 Months	Between 1 and 2 years	Between 2 and 5 years	Total
Accruals and other payables	506,459	76,120	-	-	582,579
Retention payables	-	-	105,848	1,033,533	1,139,381
	506,459	76,120	105,848	1,033,533	1,721,960

					At 31 December 2012
	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	-	-	105,848	937,212	1,043,060
	235,965	3,235,315	105,848	937,212	4,514,340

14 Other income

	Year ended 31 December 2013	Year ended 31 December 2012
Bank interest income	3,582	4,934
Miscellaneous income	-	225
	3,582	5,159

15 General and administrative expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Late payment penalties	72,872	-
Staff costs	35,675	40,804
Professional fees	20,784	76,379
Stock exchange subscription fees	16,500	24,433
Office rent	10,498	10,522
Sitting fees	9,400	12,600
Advertisement expenses	6,926	9,997
Depreciation (Note 5)	558	488
Bank charges	209	186
Other expenses	8,568	6,729
	181,990	182,138

The late payment penalties represent the amounts paid to the Company's contractor for the delays in settlement of outstanding dues.

16 Loss per share

	Year ended 31 December 2013	Year ended 31 December 2012
Numerator		
Net loss for the year and loss used in basic and diluted EPS	(178,408)	(176,979)
Denominator		
Weighted average number of shares issued in basic EPS	150,000,000	150,000,000
Effects of:		
Convertible preference shares issued	18,295,637	-
Weighted average number of shares used in diluted EPS	168,295,637	150,000,000
Basic loss per share	(1.189 fils)	(1.180 fils)
Diluted loss per share	(1.060 fils)	(1.180 fils)

16 Loss per share (continued)

During the year ended 31 December 2013, the Company has received subscription towards 61,153 non-participating, irredeemable, non-cumulative, convertible preference shares from the existing shareholders against the total of 64,500 approved preference shares. This has been approved in the Extra-ordinary General Meeting of the shareholders held on 8 October 2013. According to the offer document, the conversion of these preference shares shall be in the ratio of 1,300 ordinary shares for every single preference shares held at the date of conversion. These preference shares have been suitably weighted for the number of days as well as the number of shares in arriving at the diluted loss per share for the year.

17 Proposed dividend and directors' fees

The Board of Directors do not propose to pay dividends nor any directors' remuneration for the year ended 31 December 2013 (2012: dividends of BDNil and directors fees of BDNil).

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.

A summary for the transactions with the related parties is as follows:

	31 December 2013	31 December 2012
Expenses paid on behalf of the directors	-	28,800
Attendance fees	9,400	12,600

19 Capital and operating lease commitments

Operating lease commitments

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

	31 December 2013	31 December 2012
Less than 1 year	3,840	760
More than 1 year and less than 5 years	3,840	-
	7,680	760

Capital commitments

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

	31 December 2013	31 December 2012
Construction costs	13,789,533	13,402,189
Project management, engineering and consultancy fees	301,245	33,995
	14,090,778	13,436,184

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, Murabaha facility, retention payable and accruals and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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 2013 and 2012.

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, Murabaha facility, retention payable, accruals and other payables less cash and cash equivalents. Capital includes share capital, preference shares subscription and reserves attributable to the shareholders of the Company.

21 Financial assets and liabilities and risk management (continued)

Capital management (continued)

	31 December 2013	31 December 2012
Murabaha facility	2,881,228	-
Retention payables	1,139,381	1,043,060
Accruals and other payables	582,579	3,471,280
Less: cash and cash equivalents	(1,305,376)	(741,437)
Net debt	3,297,812	3,772,903
Share capital	15,000,000	15,000,000
Preference shares subscription	6,115,300	1,907,300
Statutory reserve	65,681	65,681
Retained earnings	111,289	289,697
Total capital	21,292,270	17,262,678
Total capital and net debt	24,590,082	21,035,581
Gearing ratio	13.41%	17.94%

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.

Principal financial instruments

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

- Other receivables excluding prepayments
- Cash and cash equivalents
- Retention payables
- Accruals and other payables
- Murabaha facility

21 Financial assets and liabilities and risk management (continued)

A summary of the financial instruments held by category is provided below as at 31 December 2013:

Financial assets	*Loans and receivables*
Other receivables excluding prepayments	3,733,857
Cash and cash equivalents	1,305,376
Total financial assets	5,039,233

Financial liabilities	*Financial liabilities at amortised cost*
Retention payables	1,139,381
Accruals and other payables	582,579
Murabaha facility	2,881,228
Total financial liabilities	4,603,188

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

Financial assets	*Loans and receivables*
Other receivables excluding prepayments	2,272,452
Cash and cash equivalents	741,437
Total financial assets	3,013,889

Financial liabilities	*Financial liabilities at amortised cost*
Retention payables	1,043,060
Accruals and other payables	3,471,280
Murabaha facility	-
Total financial liabilities	4,514,340

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 Murabaha facility bears fixed reducing rates of interest subject to revision upon maturity. The 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.

21 Financial assets and liabilities and risk management (continued)

Interest rate risk (continued)

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's policy is to maintain its borrowings in fixed reducing rate instruments. At the year-end, the borrowings were primarily at fixed interest rate of 6.75% per annum. In the opinion of the management, the Company's exposure to fluctuations in interest rates is minimal. The Company's exposure to market risk for changes in the interest rates primarily relates to the Company's borrowings and is as follows:

	Changes in basis points	Effect on capital work-in-progress
At 31 December 2013	+15%	4,322
	-10%	(2,881)

The interest for the Murabaha facility has been capitalized over the capital work-in-progress during the year ended 31 December 2013 (Note 6).

In the opinion of the Company's management, other assets and liabilities are not sensitive to interest rate risk.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with national and multinational banks with good credit ratings. 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 2013	
Financial assets	*Carrying value*	*Maximum exposure*
Prepayments and other receivables	3,738,071	3,738,071
Cash and cash equivalents	1,305,376	1,305,376
Total financial assets	5,043,447	5,043,447

	At 31 December 2012	
Financial assets	*Carrying value*	*Maximum exposure*
Prepayments and other receivables	2,276,604	2,276,604
Cash and cash equivalents	741,437	741,437
Total financial assets	3,018,041	3,018,041

21 Financial assets and liabilities and risk management (continued)

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 primarily in United States Dollars which is effectively pegged to the Bahrain Dinar. Accordingly, management assesses the Company's exposure to currency rate risk as insignificant.

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 measurement

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments not measured at fair value on recurring basis include other receivables excluding prepayments, cash and cash equivalents, Murabaha facility and accruals other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2013.

The following table sets out the fair value hierarchy of financial instruments measured at fair value on recurring basis along with valuation techniques and significant unobservable imputes used in determining the fair value measurement of financial instruments as well as the inter-relationship between observable inputs and fair value:

	Fair value at 31 December 2013	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter-relationship between unobservable inputs and fair value
Financial liability					
Non-current portion of Murabaha facility	2,881,228	L2	The fair value of non-current borrowing in Note11 has been estimated based on the expected contractual future cash flows at the current market profit rates	Expected future cash outflows taking into account management knowledge and terms of the financing agreement.	Earlier settlement will result in higher fair value and vice versa.
Non-financial assets					
Freehold land shown under property, plant and equipment	4,152,105	L3	The Company has carried out a valuation of its freehold land (Note 5) as at 31 December 2013 from three independent property valuers and has taken the lowest fair values for disclosure purpose.	Expected future cash flows from use of the freehold land.	The higher the expected future cash flows from use of the freehold land, the higher the fair value.

22 Events after reporting date

There were no events subsequent to 31 December 2013 and occurring before the date of these financial statements that are expected to have a significant impact on these financial statements.