



Financial statements and independent auditors' report
Banader Hotels Company B.S.C.
For the year ended 31 December 2018

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General information

Commercial registration	:	59045 obtained on 20 December 2005	
Directors	:	Mr. Abdulla Hasan Abdulla Buhindi Mr. Jehad Yusuf Abdulla Amin Mr. Khaled Ali Rashed Al-Ameen Mr. Mohamed Farooq Yusuf Al-Moayyed Mr. Ammar Aqeel Ali Al-Hassan Mr. Suhail Mohamed Husain Hajee Mr. Nael Jamil Issa Hashweh Mr. Yusuf Abdulrahman Yusuf Fakhroo Mr. Redha Abdulla Ali Faraj	- Chairman - Vice Chairman - Director - Director - Director - Director - Director - Director - Director
Audit, Risk and Compliance Committee	:	Mr. Redha Abdulla Ali Faraj Mr. Ammar Aqeel Ali Al-Hassan Mr. Khaled Ali Rashed Al-Ameen Mr. Mohamed Farooq Yusuf Al-Moayyed Mr. Yusuf Abdulrahman Yusuf Fakhroo	- Chairman - Vice Chairman - Member - Member - Member
General Manager	:	Mr. Ebrahim M. A. Bucheery (Left on 10 March 2018) Mr. Hassan Kamal Yusuf Hubaishi (Joined on 4 February 2018)	
Registered office	:	Flat 45, Building 104 Road 383, Block 316 P.O. Box 2474 Manama, Kingdom of Bahrain	
Bankers	:	Kuwait Finance House Bank of Bahrain and Kuwait HSBC Bank Middle East Limited	
Auditors	:	Grant Thornton - Abdulaal P.O. Box 11175 12 th Floor, Al Nakheel Tower Seef District, Kingdom of Bahrain	
Registrar	:	Bahrain Clear B.S.C. (c) P.O. Box 3203 Manama, Kingdom of Bahrain	
Support registrar	:	Karvy Computershare W.L.L. P.O. Box 514 Manama, Kingdom of Bahrain	

Directors' report

On behalf of the Board of Directors, it is my pleasure to present the annual report and financial statements for the year ended December 31, 2018.

The company saw positive momentum in 2018, with sales close to BD 3m and gross margins topping BD 1.6m. Whilst the company registered a net loss of BD 3.6m during the year, 96% of this loss was on account of depreciation and finance costs which are expected to be elevated during the early years of a hotel launch. Notably, through the enhancement of internal efficiencies, implementation of cost reduction strategies and focusing on guest satisfaction, gross margins improved from 49% to 55% of Sales during 2018. Consequently, Loss Before Interest, Tax, Depreciation and Amortization (EBITDA) reduced from BD 0.4m during 2017 to only BD 0.1m during 2018. Improvements have also been observed in operating cash flow and reduction of bank debt. Banader Hotels has proven to be resilient, despite the increased competition and a challenging climate.

From relocating offices to eliminating unnecessary expenditure, the team continues to actively seek out effective opportunities to present shareholders with the utmost value to their investment. Unfortunately, a drop in expected income was impacted by a decrease in the industry's performance. This compelled a lowering of rates not limited to Downtown Rotana but also other competitor hotels.

To minimise the impact on our shareholders, management took the necessary counter measures by reducing operating expenses. With systematic effort and a thorough study of our operations, our team successfully implemented several initiatives that have helped introduce new savings solutions. Moreover, the hotel has managed to achieve an increase in business activities and an occupancy of 44% in 2018, up 3 per cent from the previous year, which is a clear indication of its increasing popularity. Through the team's determined efforts and proactive approach in adapting to changing market trends, Banader Hotels continues to solidify its competitive position in the industry.

Furthermore, our customer first approach helped maintain and solidify our reputation as a strong contender in Bahrain's challenging hotel industry. Our increase in occupancy proves our guests trust our offering whilst meeting best in class hospitality standards.

On behalf of the Board of Directors, I would like to express my sincere gratitude to His Majesty King Hamad Bin Isa Al Khalifa, His Royal Highness the Prime Minister, Prince Khalifa Bin Salman Al Khalifa, and His Royal Highness the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister Prince Salman Bin Hamad Al Khalifa for their visionary leadership, support and encouragement to the Kingdom's private sector.

Special thanks are also due to all Government entities and Ministries, especially the Central Bank of Bahrain, the Ministry of Industry, Commerce and Tourism, Bahrain Bourse and Bahrain Clear for their continued support. I would also like to take this opportunity to thank outgoing General Manager Ebrahim Bucheery for his dedicated service and welcome our new General Manager Hasan Hubaishi to the leadership team. Additionally, we would like to thank all parties that continue to contribute to our success, including but not limited to HSBC Bank Middle East Limited, the BMMI Group and Rotana Hotel Management.



Finally, we express our sincere gratitude and appreciation to our shareholders, for their support, patience and understanding. As we unceasingly strive to do better, we will continue exerting our utmost efforts to meet their expectations.

2019 presents us with new opportunities as the hospitality and tourism sector is expected to grow steadily across the region, with key initiatives driving increased visitors and occupancy rates. I believe with the team's unwavering dedication and our focus on internal efficiencies will help propel us towards further success and help us offer our shareholders even further value.

Abdulla Hassan Abdulla Buhindi
Chairman

Independent auditors' report

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

Report on the Audit of the Financial Statements

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Opinion

We have audited the financial statements of **Banader Hotels Company B.S.C.** (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is the key audit matter during the year:

Impairment testing of property, plant and equipment (Note 3)	
Key audit matter / risk	How the key audit matter was addressed in the audit
<p>Key audit matter</p> <p>The Company has been incurring significant losses since the previous year. This indicates that certain items of property, plant and equipment (specifically land, building, furniture and fixtures) may be impaired. During the year, the management has performed impairment testing of certain items of property, plant and equipment and appointed external valuer to assess their fair value.</p> <p>Risk</p> <p>The valuation report is highly dependent on assumptions and estimates. Given the materiality of the property, plant and equipment balance, we assess this as a key audit matter.</p>	<p>We evaluated the assumptions and estimates used by the management and independent valuer. Our procedures included evaluation of the competencies, capabilities and objectivity of the external valuer involved. In addition, we also assessed the appropriateness of the disclosures.</p>

Other information

The Board of Directors is responsible for the other information. The other information obtained at the date of this auditors' report is the Directors' report set out on pages 2-3 and corporate governance disclosure set out on pages 30-37.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

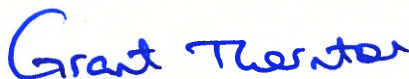
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the Bahrain Commercial Companies Law, we report that:

- i) we have obtained all the information that we considered necessary for the purpose of our audit,
- ii) the financial information included in the report of the Board of Directors is consistent with the financial statements, and
- iii) the Company has maintained proper books of accounts.

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 or its memorandum and Articles of Association nor of the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse which would materially affect its activities or its financial position




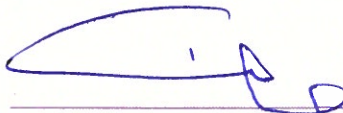
Mr. Jassim Abdulaal
Partner's Registration No. 30
25 February 2019
Manama, Kingdom of Bahrain

Statement of financial position

	Notes	31 December 2018 BD	31 December 2017 BD
Assets			
Non-current assets			
Property, plant and equipment	3	38,630,710	40,630,847
Current assets			
Inventories	4	60,428	61,514
Trade and other receivables	5	439,923	400,458
Cash and cash equivalents	6	723,114	225,000
		1,223,465	686,972
Total assets		39,854,175	41,317,819
Equity and liabilities			
Equity			
Share capital	11	22,950,150	22,950,150
Capital adjustment account	11	(2,434,650)	(2,434,650)
Statutory reserve	12	65,681	65,681
General reserve	13	184,318	99,132
Accumulated losses		(13,697,987)	(9,939,107)
		7,067,512	10,741,206
Liabilities			
Non-current liabilities			
Term loan	8	17,290,378	19,082,611
Amount due to related party	9	11,502,997	7,001,254
Employees' terminal benefits	10	86,524	60,867
		28,879,899	26,144,732
Current liabilities			
Trade and other payables	7	495,493	558,194
Current portion of term loan	8	2,235,900	2,273,731
Retention payables		1,175,371	1,599,956
		3,906,764	4,431,881
Total liabilities		32,786,663	30,576,613
Total equity and liabilities		39,854,175	41,317,819

These financial statements were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:


 Abdulla Hasan Abdulla Buhindi
 Chairman


 Jihad Yusuf Abdulla Amin
 Vice Chairman

The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.

Statement of comprehensive income

	Notes	Year ended	Year ended
		31 December	31 December
		2018	2017
		BD	BD
Operating revenue	14	2,982,820	3,033,611
Cost of operations	15	(1,350,574)	(1,548,268)
Gross profit		1,632,246	1,485,343
Other income	24	123,905	-
		1,756,151	1,485,343
Expenses			
Staff costs		(853,761)	(872,514)
General and administrative expenses	16	(711,726)	(763,490)
Corporate expenses	17	(196,364)	(265,814)
Loss on disposal of property, plant and equipment		(135,780)	-
Depreciation	3	(1,886,098)	(1,965,688)
Finance costs		(1,646,116)	(1,226,695)
		(5,429,845)	(5,094,201)
Loss for the year transferred to accumulated losses		(3,673,694)	(3,608,858)
Basic and diluted loss per share	18	(0.016)	(0.016)

These financial statements were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:



Abdulla Hasan Abdulla Buhindi
Chairman



Jehad Yusuf Abdulla Amin
Vice Chairman



The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.

Statement of changes in equity

	Share capital	Preference shares	Capital adjustment account	Statutory reserve	General reserve	Accumulated losses	Total
	BD	BD	BD	BD	BD	BD	BD
At 1 January 2017	22,950,150	-	(2,434,650)	65,681	38,460	(6,269,577)	14,350,064
Loss for the year	-	-	-	-	-	(3,608,858)	(3,608,858)
Transfer to general reserve	-	-	-	-	60,672	(60,672)	-
At 31 December 2017	22,950,150	-	(2,434,650)	65,681	99,132	(9,939,107)	10,741,206
At 1 January 2018	22,950,150	-	(2,434,650)	65,681	99,132	(9,939,107)	10,741,206
Loss for the year	-	-	-	-	-	(3,673,694)	(3,673,694)
Transfer to general reserve	-	-	-	-	85,186	(85,186)	-
At 31 December 2018	22,950,150	-	(2,434,650)	65,681	184,318	(13,697,987)	7,067,512

The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.

Statement of cash flows

	Year ended 31 December 2018	Year ended 31 December 2017
	BD	BD
Operating activities		
Loss for the year	(3,673,694)	(3,608,858)
Adjustments for:		
Depreciation	1,886,098	1,965,688
Loss on disposal of property, plant and equipment	135,780	-
Provision for bad debts	1,750	-
Provision for employees' terminal benefits	36,354	37,621
Finance costs	1,646,116	1,226,695
Operating profit / (loss) before working capital changes	32,404	(378,854)
Changes in operating assets and liabilities:		
Change in inventories	1,086	92,094
Change in trade and other receivables	(41,215)	(70,143)
Change in trade and other payables	(62,701)	(130,520)
Change in retention payables	(424,585)	(1,180,317)
Payment of employees' terminal benefits	(10,697)	(42,063)
Net cash used in operating activities	(505,708)	(1,709,803)
Investing activities		
Purchase of property, plant and equipment	(33,241)	(329,400)
Proceeds from sale of property, plant and equipment	11,500	-
Net cash used in investing activities	(21,741)	(329,400)
Financing activities		
Proceeds from term loan	1,582,811	2,418,321
Repayment of term loan	(3,412,875)	(2,727,866)
Proceed from related party	4,501,743	3,302,781
Finance costs paid	(1,646,116)	(1,226,695)
Net cash generated from financing activities	1,025,563	1,766,541
Net change in cash and cash equivalents	498,114	(272,662)
Cash and cash equivalents, beginning of the year	225,000	497,662
Cash and cash equivalents, end of the year	723,114	225,000
Comprises:		
Cash in hand	14,509	5,087
Bank balances	708,605	219,913
	723,114	225,000

The accounting policies and the notes from pages 11 to 29 form an integral part of these financial statements.

Notes to the financial statements

31 December 2018

1. Organisation and activities

Banader Hotels Company B.S.C. (the “Company”) is a public joint stock company registered in the Kingdom of Bahrain with the Ministry of Industry, Commerce and Tourism under commercial registration number 59045-1 dated 20 December 2005. The Company owns the Downtown Rotana Hotel which is managed by Rotana Hotel Management Corporation Limited LLC under a 10 year agreement beginning from the actual date of takeover of the management and renewable for three additional terms of ten years.

These financial statements include operations and results of Downtown Rotana Hotel B.S.C. CR. No. 59045-2 obtained on 15 February 2016. The Downtown Rotana Hotel commenced its operations from 1 March 2016.

The principal activities of the Company are building and investing in hotels.

The Company’s registered office is situated in the Kingdom of Bahrain.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Company’s financial statements have been prepared on an accrual basis under the assumption that the Company operates on a going concern basis. The Company’s financial statements are presented in Bahrain Dinars. All values are rounded to the nearest Bahrain Dinar.

2.2 Statement of compliance and going concern assumption

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and associated resolutions, rules and procedures of the Bahrain Bourse. They have been prepared under the assumption that the Company operates on a going concern basis.

2.3 New or revised Standards or Interpretations

New Standards adopted as at 1 January 2018

- IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 ‘Revenue from Contracts with Customers’ and the related ‘Clarifications to IFRS 15 Revenue from Contracts with Customers’ (hereinafter referred to as ‘IFRS 15’) replace IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’, and several revenue-related Interpretations. The new Standard has been applied retrospectively, however the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Company in any year.

- IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. This affects the Company's trade and other receivables, whereby the Company applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. However, the adoption of this has no material impact to the Company. In addition, cash and cash equivalents and trade and other receivables are now classified as amortised costs. There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

- IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Company has decided not to early adopt.

Management is yet to fully assess the impact of the above standard, which will be done once this standard is effective, and therefore is unable to provide quantified information.

2.4 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses except freehold land which is measured at cost less any accumulated impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

The cost of the property, plant and equipment includes the cost of bringing them to their present location and condition. The cost of replacing part of an item of property, plant and equipment is recognised in carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. All other costs are recognised in the statement of comprehensive income as expenditure incurred.

Notes to the financial statements for the year ended 31 December 2018

Depreciation is recognised on the basis of straight line method to write down the cost less estimated residual value of property, plant and equipment other than freehold land. The following useful lives are applied:

Building	40 years
Furniture and fixtures	5-12 years
Computer and office equipment	5 years
Motor vehicles	5 years
Machinery and equipment	5-15 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income within 'other income' or 'other expenses'.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.5 Impairment of assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is higher of an asset's fair value less cost to sell and value in use. All impairment losses are recognised in the statement of comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss no longer exist and there has been a change in the estimates used to determine the recoverable amount.

2.6 Inventories

Inventories are stated at lower of cost and net realizable value after making necessary provision required for obsolete, slow moving and defective inventories, if any. Cost is determined on the basis of weighted-average method, comprises of expenditure incurred in the normal course of business in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to complete and cost to sell, if any.

2.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balances.

2.8 Provisions

Provisions are recognised by considering an obligation of the Company as on date resulting from past events, and where it is probable that such obligation will result in outflow of economic resources and amount can be reliably estimated.

2.9 Employees' terminal benefits

Employees' terminal benefits and entitlements to annual leave, holiday, air passage and other short term benefits are recognized as they accrue to the employees. The Company contributes to the pension scheme for Bahraini nationals administered by the General Organisation for Social Insurance in the Kingdom of Bahrain. The Company's share of contribution to this funded scheme which is defined contribution scheme under IAS-19 - Employee benefits, is recognised as an expense in the statement of comprehensive income.

The expatriate employees of the Company are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law for private sector 2012, based on length of service and final salary. Provision for this, which is unfunded and which represent a defined benefit plan under IAS-19 has been made by calculating the notional liability had all employees left at the reporting date. The provision is classified as a non-current liability in the statement of financial position.

2.10 Revenue recognition

Revenue arises mainly from the sale of goods and services.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Company often enters into transactions involving a range of the Company's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from food and beverages

Revenue from sale of food and beverages are recognised at a point in time, upon delivery of the food and beverages.

Revenue from rooms

Room revenue from hotel operations represents total amounts charged to customers and guests during the period including the service charges net of portion applicable to employees as and where applicable, plus unbilled guest's ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances. These services are either sold separately or bundled together with the sale of food and beverages to a customer.

Revenue from other operating departments

Revenue from services is recognised as a performance obligation satisfied over time, based on the stage of completion of the contract.

2.11 Other income

Other income is recognised on an accruals basis or when the Company's right to receive payment is established.

2.12 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'.

2.14 Financial instruments

Recognition and derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

a. Financial assets

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15.

Financial assets, other than those designated and effective as hedging instruments (if any), are classified into the following categories:

- amortised cost,
- fair value through profit or loss (FVTPL), and
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

Notes to the financial statements for the year ended 31 December 2018

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented separately in the statement of comprehensive income.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and trade and other receivables, fall into this category of financial instruments.

Impairment of financial assets

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 34(d) for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

b. Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

Notes to the financial statements for the year ended 31 December 2018

The Company's financial liabilities include trade and other payables, amount due to related party, retention payables and term loan. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss, if any. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

2.15 Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed when the possibility of an outflow of economic resources as a result of present obligations is not probable unless the outflow of resources is remote.

2.16 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

a. Significant management judgments

The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Leases. In applying the classification of leases, management considers its leases of staff accommodations operating leases.

b. Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets. Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2018, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analysed in Note 3. Actual results, however, may vary due to technical obsolescence.

3. Property, plant and equipment

	Freehold land	Building	Furniture and fixtures	Computer and office equipment	Motor vehicles	Machinery and equipment	2018 Total	2017 Total
	BD	BD	BD	BD	BD	BD	BD	BD
Cost								
At 1 January	3,048,313	29,344,572	8,327,197	278,535	26,525	3,210,084	44,235,226	43,905,826
Additions	-	1,009	23,233	4,357	-	4,642	33,241	329,400
Disposals	-	(156,356)	-	-	-	-	(156,356)	-
At 31 December	3,048,313	29,189,225	8,350,430	282,892	26,525	3,214,726	44,112,111	44,235,226
Accumulated depreciation								
At 1 January	-	1,335,168	1,414,017	96,252	14,910	744,032	3,604,379	1,638,691
Charge for the year	-	733,950	805,449	52,759	4,350	289,590	1,886,098	1,965,688
Disposals	-	(9,076)	-	-	-	-	(9,076)	-
At 31 December	-	2,060,042	2,219,466	149,011	19,260	1,033,622	5,481,401	3,604,379
Net book value								
At 31 December 2018	3,048,313	27,129,183	6,130,964	133,881	7,265	2,181,104	38,630,710	-
At 31 December 2017	3,048,313	28,009,404	6,913,180	182,283	11,615	2,466,052	-	40,630,847

Subsequent to the year end, the Company has obtained a professional valuation of the freehold land and building (including fixtures) from an independent property valuer, the fair value of which is BD43,430,779.

Freehold land and building are mortgaged against the term loan obtained by the Company (Note 8).

Building includes accumulated borrowing costs of BD1,884,269 directly attributable to the construction of the Building.

4. Inventories

	2018 BD	2017 BD
Food and beverages	<u>60,428</u>	<u>61,514</u>

5. Trade and other receivables

	2018 BD	2017 BD
Trade receivables, gross	267,018	199,381
Less: Allowance for credit losses	(1,750)	-
	<u>265,268</u>	<u>199,381</u>
Prepayments	56,502	69,691
Deposits	62,783	62,800
Advance paid to suppliers/contractors	30,321	36,950
Advances to staff	2,799	1,962
Other receivables	<u>22,250</u>	<u>29,674</u>
	<u>439,923</u>	<u>400,458</u>

Trade receivables include an amount of BD18,438 receivable from related parties. These amounts are unsecured, earn no interest and have no fixed repayment terms.

All amounts are short term. The net carrying value of trade and other receivables is considered to be a reasonable approximate of fair value at the financial position date.

6. Cash and cash equivalents

	2018 BD	2017 BD
Cash in hand	14,509	5,087
Bank balances	<u>708,605</u>	<u>219,913</u>
	<u>723,114</u>	<u>225,000</u>

There are no restrictions on bank balances at the time of approval of the financial statements.

7. Trade and other payables

	2018 BD	2017 BD
Trade payables	219,156	283,496
Government levy payable	83,461	73,710
Leave salary and air passage	63,398	62,182
Refundable subscription to share capital	15,733	15,733
Advances from customers (contract liabilities)	13,323	21,544
Management fee payable	5,728	4,257
Other payables	94,694	97,272
	495,493	558,194

The carrying values of trade and other payables are considered to be a reasonable approximate of fair value at the financial position date.

8. Term loan

	2018 BD	2017 BD
HSBC Bank Middle East Limited	19,526,278	21,356,342
Less: Current portion	(2,235,900)	(2,273,731)
Non - current portion	17,290,378	19,082,611

This represents term loan of up to BD25,000,000 obtained from HSBC Bank Middle East Limited to finance the settlement of the previous credit facility obtained, fund the Hotel construction and its pre-operating expenses until the soft opening, and fund the retention payable to the Hotel's contractors. This loan bears interest rates varying from 2.2% to 2.45% plus the BIBOR or T-bills rate, as applicable, and is repayable in 29 quarterly instalments ranging from BD131,139 to BD657,011 and final payment of BD11,145,000. The final instalment falls due on 31 March 2023. The loan is secured against the freehold land and building (Note 3) and guarantee of BMMI B.S.C. in the amount of BD25,750,000.

The Company entered into an assignment of receivables agreement with HSBC Bank Middle East Limited on 8 July 2015 whereby the Company irrevocably and unconditionally assigned to the Bank, all monies due and to become due to the Company from its operations until the full amount of loan, including interest, is settled.

That portion of the term loan which is repayable within twelve months from the financial position date is classified as current liability in the statement of financial position.

9. Amount due to related party

	2018 BD	2017 BD
BMMI B.S.C.	<u>11,502,997</u>	<u>7,001,254</u>

The amount due to related party includes loan of BD10,903,000 (2017: BD6,401,254) obtained from BMMI B.S.C. to finance the completion of construction work of the Hotel and working capital requirements. The loan from BMMI B.S.C. bears interest of 2.45% plus BHIBOR and is repayable within a maximum period of 60 months. In the event of default, the Company will carry out a Rights Issuing allowing the conversion of the remaining unpaid instalments into preference shares with the process expected to result in the final allotment by 2020.

During the year, the Company obtained additional loan of BD4,038,067.

That portion of the amount due to related party which is repayable within twelve months from the financial position date is classified as current liability in the condensed interim statement of financial position.

10. Employees' terminal benefits

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

	2018 BD	2017 BD
At 1 January	60,867	65,309
Amounts provided for the year	36,354	37,621
Amounts paid during the year	<u>(10,697)</u>	<u>(42,063)</u>
At 31 December	<u>86,524</u>	<u>60,867</u>

The number of expatriate staff employed by the Company at 31 December 2018 was 162 (2017: 167).

11. Share capital

	2018 BD	2017 BD
Authorized share capital:		
Ordinary shares		
300,000,000 ordinary shares of 100 fils each (2017: 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 (2017: 64,500 preference shares of BD100 each)	6,450,000	6,450,000
Issued share capital:		
Ordinary shares		
229,501,500 ordinary shares of 100 fils each (2017: 229,501,500 ordinary shares of 100 fils each)	22,950,150	22,950,150

Out of the total issued and paid up ordinary share capital, BD3,000,000 was in kind pertaining to contribution of land by one of the Company's shareholders (BMMI B.S.C.).

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.

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.

On 13 March 2014, the Annual General Meeting approved the total Shareholders' subscription towards the issue of 61,155 convertible, non-redeemable, non-cumulative, non-participating preference shares of BD100 each, at par.

On 8 April 2014, the Capital Markets Supervision Directorate of the Central Bank of Bahrain issued a no objection letter for the increase in share capital through the issuance of 61,155 shares of BD100 each non-participating, irredeemable, non-cumulative, convertible preference shares. Accordingly, share certificates were issued to preference shareholders. Transaction costs pertaining to the underwriting fees to BMMI B.S.C. in the amount of BD600,000 was deducted from the preference shares.

On 10 April 2016, the 61,155 preference shares were converted to 79,501,500 ordinary shares. The difference of BD1,834,650 between the par value of ordinary shares issued and the conversion value of the preference shares was recorded in the statement of financial position under "Capital Adjustment Account".

Additional information on ordinary shares shareholding pattern

31 December 2018		
Nationality	Number of shares	Percentage of shareholding interest
	BD	
BMMI B.S.C.	123,726,880	53.91%
Nasser Mohamed Al Nuwais	11,250,000	4.90%
General public	94,524,620	41.19%
	229,501,500	100%

31 December 2017		
Nationality	Number of shares	Percentage of shareholding interest
	BD	
BMMI B.S.C.	123,726,880	53.91%
Nasser Mohamed Al Nuwais	11,250,000	4.90%
General public	94,524,620	41.19%
	229,501,500	100%

The Shareholders of ordinary shares have equal voting rights.

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

31 December 2018		
Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,169	88,181,104
1% up to less than 5%	3	17,593,516
50% and above	1	123,726,880
	3,173	229,501,500
		100%

31 December 2017		
Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	3,183	82,558,298
1% up to less than 5%	4	23,216,322
50% and above	1	123,726,880
	3,188	229,501,500
		100%

The percentage of shares held by the Directors to the total number of shares at 31 December 2018 was 1.6% (2017: 1.15%).

12. Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Company's profit for the year before appropriations is required to be transferred to a non-distributable reserve account up to a minimum of 50% of the issued share capital. No transfer has been made to this reserve as the Company has incurred a loss (2017: Nil).

13. General reserve

General reserve represents funds set aside for the future capital expenditure. It is calculated based on 2% of the gross revenue in the first two years of operations, 3% of the gross revenue on the next two years of operations and 4% thereafter.

14. Operating revenue

	Rooms BD	Food and beverages BD	Other operating departments BD	2018 BD
Goods transferred at a point in time	-	758,995	-	758,995
Services rendered over time	2,063,394	-	160,431	2,223,825
	2,063,394	758,995	160,431	2,982,820

	Rooms BD	Food and beverages BD	Other operating departments BD	2017 BD
Goods transferred at a point in time	-	795,965	-	795,965
Services rendered over time	2,096,846	-	140,800	2,237,646
	2,096,846	795,965	140,800	3,033,611

15. Cost of operations

	2018 BD	2017 BD
Food and beverages	251,853	274,986
Other overhead expenses	346,187	350,473
Direct labour	752,534	848,976
Consumables	-	73,833
	1,350,574	1,548,268

16. General and administrative expenses

	2018 BD	2017 BD
Commission	144,744	181,330
IT Costs	88,434	88,897
Contract services	74,967	50,513
Management fees	59,656	60,672
Advertisement and business promotion	45,834	49,687
Complimentary food, beverage and gifts	45,689	59,380
Printing and stationery	37,378	40,637
Legal and professional fees	36,574	41,110
Loyalty programs and affiliation fees	21,372	40,971
Selling expenses	20,010	14,972
Entertainment expenses	18,560	19,218
Reservation	14,565	20,933
Cleaning expenses	11,452	14,026
Travelling expenses	7,833	6,317
Other expenses	84,658	74,827
	711,726	763,490

17. Corporate expenses

	2018 BD	2017 BD
Staff costs	59,292	66,469
Legal and professional fees	43,268	95,408
Stock exchange subscription fees	24,437	24,437
Sitting fees	16,500	20,700
Rent	7,820	9,600
Advertisement expenses	7,216	7,256
Other expenses	37,831	41,944
	196,364	265,814

18. Loss per share

	2018 BD	2017 BD
Numerator		
Net loss for the year used in basic and diluted EPS	(3,673,694)	(3,608,858)
Denominator		
Weighted average number of ordinary shares issued used in basic EPS	229,501,500	229,501,500
Effects of:		
Convertible preference shares issued	-	-
Weighted average number of shares used in diluted EPS	229,501,500	229,501,500
Basic and diluted loss per share	(0.016)	(0.016)

19. Segmental information

The Company's activities are restricted to building and investing in hotels. As the Company has hotel operations as its only business segment, no business segmental information has been presented.

The Company's operations are restricted to the Kingdom of Bahrain therefore no geographical segmental information has been presented.

20. Related party transactions

The Company's related parties include the Shareholders, Directors, their close relatives and businesses under their control. The Company's transactions with related parties are in the ordinary course of business. The balances with related parties at financial position date have been separately disclosed in the financial statements.

The following are the related party transactions;

Name of the related party	Relationship	Nature of transactions	2018 BD	2017 BD
Board of Directors	Other related party	Sitting fee	16,500	20,700
BMMI B.S.C.	Parent company	Sales	39,772	-
BMMI B.S.C.	Parent company	Purchases	22,175	31,232
BMMI B.S.C.	Parent company	Interest on loan from related party	463,678	207,625
BMMI B.S.C.	Parent company	Rent expense	800	9,600

The total salaries to members of key management in 2018 (including salaries and benefits) was BD76,632 (2017: BD85,800).

21. Commitments

a. Operating lease commitments

The Company's future minimum lease payments under non-cancellable operating leases are as follows:

	2018 BD	2017 BD
Within one year	141,840	115,600
More than one year but within five years	237,820	-
	379,660	115,600

22. Financial assets and liabilities and risk management

The Company's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, trade and other payables, amount due to related party, term loan and retention payables.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors approves policies for managing each of these risks, which are summarized below.

a. Interest rate risk

The Company's policy is to minimize interest rate risk exposures on long-term financing. The Company is exposed to the risk of changes in market interest rates as the Company's term loan, bank overdraft and certain amount due to related party which bear interest rate ranging from 2% to 2.45% plus BHIBOR. Sensitivity of profit to reasonably possible change in interest rate is not disclosed as it is not expected by the management to materially affect the result of the operation of the Company.

b. Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents.

The following table shows the maturity profile of financial liabilities as at 31 December 2018:

Particulars	Due within	Due between	Total
	1 year	1 to 5 years	
	BD	BD	BD
Retention payables	1,175,371	-	1,175,371
Trade and other payables	418,772	-	418,772
Amount due to related party	-	11,502,997	11,502,997
Term loan	2,235,900	17,290,378	19,526,278
	3,830,043	28,793,375	32,623,418

The following table shows the maturity profile of financial liabilities as at 31 December 2017:

Particulars	Due within	Due between	Total
	1 year	1 to 5 years	
	BD	BD	BD
Retention payables	1,599,956	-	1,599,956
Trade and other payables	474,468	-	474,468
Amount due to related party	-	7,001,254	7,001,254
Term loan	2,273,731	19,082,611	21,356,342
	4,348,155	26,083,865	30,432,020

c. Foreign currency risk

The Company's primary exposure to the risk in changes in foreign currency relates to the transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The currency risk on foreign currencies is actively monitored by the Management. The Company's transactions are predominantly in Bahrain Dinars.

d. Credit risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. A regular annual review and evaluation of these accounts are carried out to assess the credit standing of the customers.

Trade receivables

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due of customers.

The expected loss rates are based on the payment profile for sales over the past 24 months before 31 December 2018 and 1 January 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Company has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

On the above basis the expected credit loss for trade receivables as at 31 December 2018 and 1 January 2018 are not material to the financial statements.

23. Capital management policy

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize Shareholders' value.

The Company monitors capital using capital to overall financing ratio, which is capital divided by overall financing.

	2018 BD	2017 BD
Total equity	7,067,512	10,741,206
Less: Cash and cash equivalents	(723,114)	(225,000)
Capital	<u>6,344,398</u>	<u>10,516,206</u>
Total equity	7,067,512	10,741,206
Borrowings	31,029,275	28,357,596
Overall financing	<u>38,096,787</u>	<u>39,098,802</u>
Capital to overall financing ratio	0.17	0.27

24. Contingent item

The Company has filed a claim on 16 March 2017 in Bahrain Chamber for Dispute Resolution against a banker for an amount of BD1,731,455. This relates to the letter of guarantee issued by the bank for the contractor on the construction of the building. The Court appointed an expert and his report states that the client is entitled to the amount of BD121,484. The verdict was issued on 15 January 2018 obliging the counterpart to pay the amount of BD121,484 plus 2% interest from the date the claim was filed, BD3,500 expert fees and BD100 lawyer fees. All the parties in the case appealed against the judgement before the Cassation court. The court is yet to schedule hearing of the case. The Company has also opened a file in the Court of Execution to receive the judged amount and has collected BD123,905.

25. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

26. Comparative figures

Comparative figures for the previous year have been reclassified/rearranged wherever necessary to conform with the presentation in the current year's financial statements.

Annexure

CORPORATE GOVERNANCE REPORT

(I) Board, Board Members and Management

Board and Directors' responsibilities

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of shareholders' interests. The Board of Directors' role and responsibilities include but are not limited to:

- Monitoring the overall business performance;
- Monitoring management's performance and succession plan for senior management;
- Monitoring conflicts of interest and preventing abusive related party transactions;
- Accurate preparation of the annual and quarterly consolidated financial statements;
- Convening and preparing for the shareholders' meetings;
- Recommend dividend to shareholders and ensure its execution;
- Adopt, implement and monitor compliance with the Company's Code of Conduct;
- Select, interview and appoint General Manager and other selected members of senior management.

In this respect, the Directors remain individually and collectively responsible for performing all of the Board of Director's responsibilities.

Material transactions requiring board approval

The following material transactions require Board's review, evaluation and approval:

- The Company's strategy;
- The annual budget;
- Major resource allocations and capital investments; and
- Management responsibilities and training, development and succession plan for senior management.

Election system of directors and termination process

Election / re-election of the Board members take place every three years at the meeting of the shareholders. The last election of Board members was held on 14 March 2018.

Termination of a Board member's mandate usually occurs by dismissal at the meeting of the shareholders or by the member's resignation from the Board of Directors.

Directors and immediate Family trading of the Company's shares during the year 2018

Name	Position/ Kinship	Shares Held 31/12/2018	Shares held 31 /12/ 2017	Total transfer/ Purchase Transaction
Abdulla Hassan Abdulla Buhindi	Chairman	1,101,834	1,101,834	None
Jehad Yusuf Abdulla Amin	Vice- Chairman	2,023,828	1,001,500	1,022,328
Redha Abdulla Ali Faraj	Director	9,766	9,766	None
Khaled Ali Rashed Al Ameen	Director	321,601	321,601	None
Mohammed Farooq Yusuf Al Moayyed	Director	100,000	100,000	None
Yusuf Abdulrahman Yusuf Fakhro	Director	100,000	100,000	None
Ammar Aqeel Ali Al Hassan	Director	0	0	0
Suhail Mohammed Husain Hajee	Director	3,689	3,689	None
Nael Jamil Issa Hashweh	Director	0	0	0

Code of conduct and procedures adopted by the Board for monitoring compliance

The Board of Directors and the Company’s employees are expected to maintain the highest level of corporate ethics and personal behavior. The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. Banader's Code of Conduct defines how the Company relates to its employees, shareholders and the community in which it operates. The Board of Directors has adopted the Banader's Code of Business Conduct and a Company's Whistleblower Policy to monitor compliance with the Company's ethics. The Code of Business Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behavior having regard to the best practice of corporate governance models and ethics.

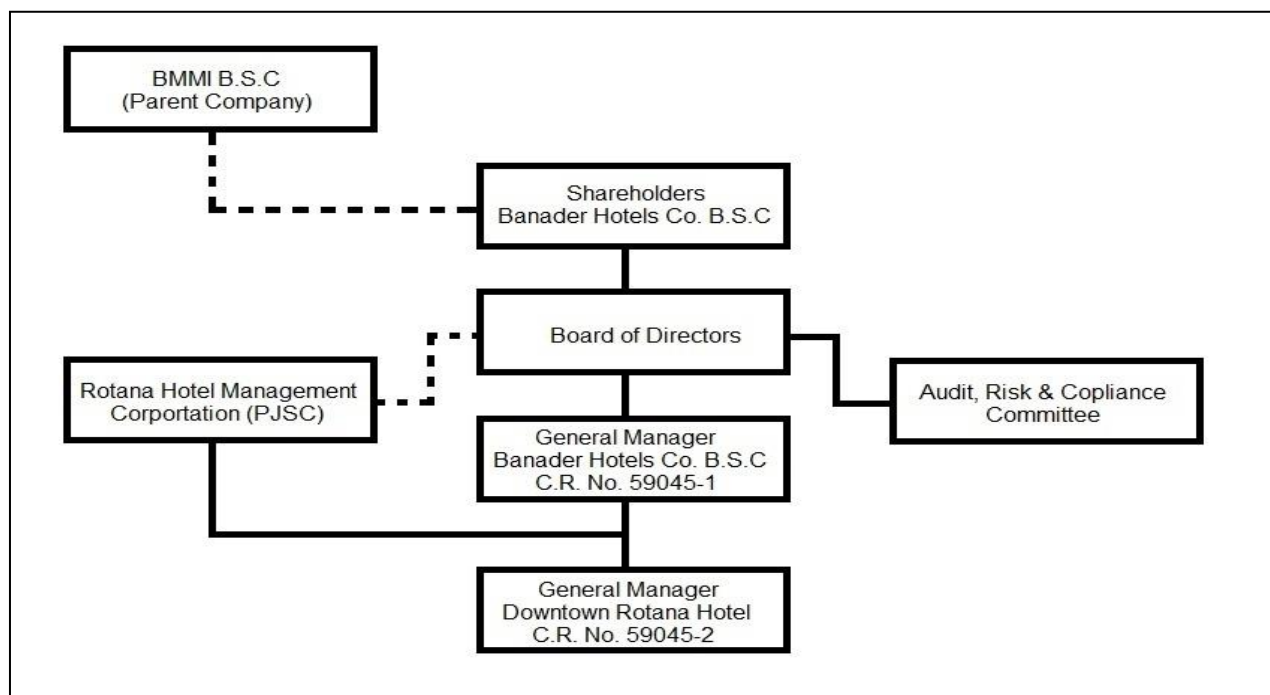
The following table summarizes the information about the business title, experience in years and the qualifications of each member of the Executive Management as at 31 December 2018:

Name of Executive member	Designation / Business title	Experience	Qualification
Mr. Ebrahim Mohamed Abdulla Bucheery	General Manager (departed in March)	47	Higher National Diploma in business studies
Mr. Hasan Kamal Hubaishi	General Manager	38	Master of Business Administration.

The following table summarizes the total remuneration paid to members of the Executive Management during the year:

	2018	2017
	BD	BD
Salaries	23,307	36,000
Bonuses	-	-
Allowances	-	-
Employees’ end of service benefits	3,076	-
Total	26,383	36,000

Banader’s Organizational Structure:



External Auditors

Grant Thornton - Abdulaal is Bahrain member firm of Grant Thornton International, one of the world's largest professional services networks of independent accounting and consulting firms. Established in Bahrain in 2000, and has been a member of GTI since 2006. It offers in Bahrain assurance, business risks, IT advisory, tax advisory, outsourcing & legal services to a wide range of sectors.

Name of Audit Firm	Grant Thornton - Abdulaal
Years of Service as the Company's external Auditors	5 Years
Name of Partner in Charge of the Company's Audit	Yaser Abbas
The Partner's years of service as in-charge of the company	5 Years
Total Audit Fees for the year ended 31 December 2018	BD 6,000
Other Special fees for non-audit Services	None

Corporate Governance Officer Details:

Name	Qualifications	Date of Appointment	Contact Details
Mr. Hasan Kamal Hubaishi	MBA	4-Feb-18	97317200064 hkhubaishi@banaderhotels.com

The Board of Directors consist of 9 members as of 31 December 2018. The Board has been elected on 14 March 2018 for a period of 3 years.

The following table summarizes the information about the profession, position, and experience in years and start date of the current Board members:

Name of Board Member	Profession	Position	Executive / Non-executive Independent / Non-independent	Experience in years	Start date
Abdulla Hassan Abdulla Buhindi	Businessman	Chairman	Non-executive / Independent	52	2005
Jehad Yusuf Abdulla Amin	Businessman	Vice-Chairman	Non-executive / Non-independent	41	2005
Redha Abdulla Ali Faraj	Businessman	Director	Non-executive / Non-independent	57	2016
Khaled Ali Rashed Al Ameen	Businessman	Director	Non-executive / Independent	27	2009
Mohammed Farooq Yusuf Al Moayyed	Businessman	Director	Non-executive / Independent	20	2005
Yusuf Abdulrahman Yusuf Fakhro	Businessman	Director	Non-executive / Independent	17	2012
Ammar Aqeel Ali Al Hassan	Businessman	Director	Executive / Non-independent	20	2011
Suhail Mohammed Husain Hajee	Businessman	Director	Non-executive / Non-independent	27	2012
Nael Jamil Issa Hashweh	Businessman	Director	Non-executive / Independent	46	2012

The following board members had directorship in the board of other listed companies in Bahrain:

Name of the Board member	No. of directorships in other listed companies in Bahrain	No. of directorships in other related commercial entities in Bahrain	Position in Key Regulatory/ Government entities
Abdulla Hassan Abdulla Buhindi	3	2	none
Jehad Yusuf Abdulla Amin	6	0	none
Redha Abdulla Ali Faraj	2	0	Shura Council Member
Khaled Ali Rashed Al Ameen	4	0	Economic Development Board
Mohammed Farooq Yusuf Al Moayyed	2	1	none
Yusuf Abdulrahman Yusuf Fakhro	1	0	none
Ammar Aqeel Ali Al Hassan	0	0	none
Suhail Mohammed Husain Hajee	1	1	none
Nael Jamil Issa Hashweh	0	0	none

The Company should hold a minimum of four Board meetings during each year. During the year ended 31 December 2018, five meetings (2017: four meetings) of Board of Directors were held. The following table summarizes the information about Board of Directors meeting dates and attendance of directors at each meeting:

Board Member	Position	11 Feb	14 Mar	30 Apr	13 Nov	28 Nov
Abdulla Hassan Abdulla Buhindi	Chairman	x	x	x	x	-
Jehad Yusuf Abdulla Amin	Vice Chairman	x	x	x	x	x
Redha Abdulla Ali Faraj	Member	x	-	x	x	x
Khaled Ali Rashed Al Ameen	Member	x	x	-	x	-
Mohammed Farooq Yusuf Al Moayyed	Member	x	x	x	x	x
Yusuf Abdulrahman Yusuf Fakhro	Member	x	x	x	x	x
Suhail Mohammed Husain Hajee	Member	x	x	x	x	x
Ammar Aqeel Ali Mohamed	Member	x	x	x	x	x
Nael Jamil Issa Hashweh	Member	x	x	x	x	-

Remuneration policy

The remuneration policy is based on basic and attendance fees amounted to BD 16,500 (2017: BD 20,700).

(II) Board committee

Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee is responsible for:

- Monitoring the integrity of the Financial Reporting Process, Banader systems of Internal Control, review of the consolidated financial statements and reports, compliance of the Board with legal and regulatory requirements and the performance of the Company's Internal Audit function.

Banader Hotels Company B.S.C.

- To recommend the appointment of External Auditors, agreeing their compensation, overseeing their independence and preparing reports required to be prepared by the Audit Committee pursuant to Central Bank of Bahrain, Bahrain Bourse, Bahrain Commercial Companies Law and other regulatory authorities in the Kingdom of Bahrain.

Audit, Risk & Compliance Committee

The Company should hold a minimum of five Audit, Risk & Compliance Committee meetings each year. During the year ended 31 December 2018, Three meetings (2017: Three meetings) of the Audit, Risk & Compliance Committee were held. The following table summarizes the information about the Committee meetings dates and attendance of directors at each meeting:

Audit Committee Members	Position	11 Feb	26 Apr	6 Nov	Executive/ Non-executive Independent/ Non-independent
Redha Abdulla Ali Faraj	Chairman	x	x	x	Non-executive/ Non-independent
Ammar Aqeel Ali Al Hassan	Vice Chairman	x	x	x	Executive/ Non-independent
Khaled Ali Rashed Al Ameen	Member	x	-	x	Non-executive/ Independent
Mohammed Farooq Yusuf Al Moayyed	Member	x	-	x	Non-executive/ Independent
Yusuf Abdul Rahman Yusuf Fakhroo	Member	x	x	x	Non-executive/ Independent

The total remuneration for the Audit, Risk & Compliance Committee amounted to BD 3,900 (2017: BD 4,200).

Summary of the Audit Committee Performance during the year:

Key Activities of the Committee:

1. External Audit and Financial Reporting

- External audit is an examination of the Company's financial statements in accordance with the applicable laws, regulations and reporting standards.
- The Committee recommends the appointment of external auditors, in conjunction with the Management, to the Board of Directors and General Assembly.
- The Committee reviews Banader's quarterly reviewed Financial Statements and Annual Audited Financial Statements, and recommends to the Board.
- The Committee oversees the independence of the External Auditors.

2. Internal Audit

- Internal audit is an independent, objective assurance function, appointed to evaluate and improve the effectiveness of risk management, control, and governance processes. The Company has outsourced its internal audit function, which reports to the Audit, Risk and Compliance Committee.
- The Committee shall discuss with the Internal Auditor the overall scope, methodology, plans and budget for the internal audit. The risk-based internal audit plan includes a significant emphasis on audit review of areas where major risks have been identified (based on risk ranking) under the risk management mechanism.
- The Committee reviews the deliverables submitted by the internal auditors and monitors the performance.

(III) Corporate Governance

Corporate governance code

- The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behavior. The Company has established a Director's Code of Business Conduct ('the Code') which provides an ethical and legal framework for its operations.
- The Board of Directors has adopted the Code and a Company's Whistleblower policy to monitor compliance with governments, communities, business partners

Third Party Related Transactions for the year 2018

Name of related party	Relationship	Transaction Nature	Amount (BD)
BMMI B.S.C.	Parent company	Sales	39,772
BMMI B.S.C.	Parent company	Purchase	22,175
BMMI B.S.C.	Parent company	Interest on loan	463,678
		Total	525,625

Evaluation of Board Performance

The Annual General Meeting of the shareholders evaluates on annual basis the Board of Directors' performance and absolves it from liabilities.

Chairman and Vice Chairman Performance

The Chairman and Vice Chairman performance is evaluated by the Board on annual basis.

Means of communication with shareholders and investors

The Company is committed to providing relevant and timely information to its shareholders in accordance with its continuous disclosure obligations under the Code of Corporate Governance.

Information is communicated to shareholders through the distribution of the Company's Annual Financial Statement presented at the AGM and is posted on the Company's website and released to Bahrain Bourse and in local media in a timely manner.

The Company General Manager is responsible for communications with the shareholders and Bahrain Bourse and ensuring that the Company meets its continuous disclosure obligations.

Management of principal risks and uncertainties faced by the Company

The management of principal risks and uncertainties faced by the Company is managed by the ARCC Committee and the Board of Directors.

SOCIAL RESPONSIBILITY

AS the Company is still below break-even threshold, social obligations have not been developed yet.

Statement of Shareholders' equity as of 31/12/2018:

Consolidated Shareholding Pattern as on 31/12/2018			
Category	No.of Holders	Total Shares	% To Equity
INDIVIDUALS	3,069	68,510,460	29.85%
PROMOTERS	32	7,257,138	3.16%
PRIVATE COMPANIES	20	9,431,538	4.11%
LOCAL INVESTOR	17	233,581	0.10%
INDIVIDUAL PRIVATE COMPANIES	11	1,360,178	0.59%
PUBLIC LOCAL COMPANIES REGISTERED IN BHB	8	131,429,531	57.27%
CLOSED LOCAL COMPANIES	6	5,910,352	2.58%
BOARD MEMBERS	6	4,445,129	1.94%
LOCAL PRIVATE SECTOR	2	117,727	0.05%
GCC INVESTOR	2	8,000	0.00%
GCC COMPANIES	1	797,866	0.35%
Total	3,174	229,501,500	100.00 %

Description of the Shareholders who hold 5% of the Company's Share Capital as at 31/12/2018.
Statement of Shareholders' equity as of 31/12/2018:

Shareholders holding 5 % and above Shares as on 31/12/2018							
Shareholder No	Name	Previous Holdings	Buying (+)	Selling (-)	Present Holdings	% of equity	Category
		30/11/2018					
CRGBANA00192975 & BAH1099906CR	BMMI BSC	123,726,880	0	0	123,726,880	53.91%	PUBLIC LOCAL COMPANIES REGISTERED IN BHB

Desperation of Distribution of Shareholders to their respective holding as at 31/12/2018.

Distribution Schedule - Consolidated as on 31/12/2018					
Shares Category	No. of Holders	% of Holders	Total Shares	Amount	% of Amount
1 - 500	1,070	33.71	531,093	53,109	0.23
501 - 1000	604	19.03	604,000	60,400	0.26
1001 - 2000	447	14.08	815,173	81,517	0.36
2001 - 3000	203	6.40	556,248	55,625	0.24
3001 - 4000	153	4.82	556,226	55,623	0.24
4001 - 5000	88	2.77	417,751	41,775	0.18
5001 - 10000	230	7.25	1,618,004	161,800	0.71
10001 & Above	379	11.94	224,403,005	22,440,301	97.78
TOTAL	3,174	100.00	229,501,500	22,950,150	100%

Compliance with the provisions of the Corporate Governance Code

Principle	Non-Compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.			√	
Principle 2: The directors and executive management shall have full loyalty to the company.			√	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.			√	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			√	
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.			√	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			√	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			√	
Principle 8: The Company shall disclose its corporate governance.			√	
Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a				Not Applicable
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			√	
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.				Not Yet Applicable