

Banader Hotels Company B.S.C.

Financial statements for the
year ended 31 December 2019

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Financial statements for the year ended 31 December 2019

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Banader Hotels Company B.S.C.
Administration and contact details as at 31 December 2019

Commercial registration no.	59045-01 obtained on 20 December 2005 59045-02 obtained on 15 February 2016	
Directors	Mr. Abdulla Hasan Abdulla Buhindi Mr. Mohamed Farooq Yusuf Al-Moayyed Mr. Khaled Ali Rashed Al-Ameen Mr. Sayed 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 Mr. Ahmed Mohamed Hussain Ali Yateem (Appointed on 20 March 2019) Mr. Jehad Yusuf Abdulla Amin (resigned on 20 March 2019)	Chairman Vice-Chairman Director Director Director Director Director Director Director Director
Audit, risk and compliance committees	Mr. Redha Abdulla Ali Faraj Mr. Ammar Aqeel Ali Al-Hassan Mr. Khaled Ali Rashed Al-Ameen Mr. Ahmed Mohamed Hussain Ali Yateem Mr. Yusuf Abdulrahman Yusuf Fakhroo	Chairman Vice-Chairman
Remuneration and Corporate Governance Committee	Mr. Abdulla Hasan Abdulla Buhindi Mr. Mohamed Farooq Yusuf Al-Moayyed Mr. Suhail Mohamed Husain Hajee	Chairman Vice-Chairman
General Manager	Hassan Kamal Yusuf Hubaishi	
Registered office	Flat 45, Building 104 Road 383, Block 316 PO. Box 2474 Manama Kingdom of Bahrain	
Registrars	Bahrain Clear B.S.C. (c) PO Box 3203 Manama Kingdom of Bahrain	
Bankers	Kuwait Finance House Bank of Bahrain and Kuwait HSBC Bank Middle East Limited	
Auditors	BDO 17 th Floor, Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

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

On behalf of the Board of Directors of Banader Hotels Company B.S.C. ("the Company" or "the Hotel"), it is my pleasure to present the annual report and financial statements for the year ended December 31, 2019.

2019 saw a noticeable advancement in the Company's performance driven by the apparent improvement in the Hotel's operations with sales exceeding BD 3.16m despite a 3% reduction in the Average Daily Rate (ADR) from 2018 rates. Compared to last year, the Company improved its gross margins from 53% in 2018 to 57% through increased sales and additional reduction in the cost of sales. Although net loss due to depreciation and finance costs remains, it is BD 3.4m, slightly lower than last year's BD 3.7m. I am glad to report that the Company started to make operating profit where Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) has increased to BD 0.3m against a loss of BD 0.1m in 2018, as a result of the wise management of the Rotana team running the Hotel.

Banader continues to seek opportunities for further cost reductions and ways to better manage loan facilities to minimise the impact on its shareholders. More measures are expected to be adopted in 2020 which will assist the Company to remain intact as the Hotel has become well established and known to Bahrain's hospitality customers, which is indicated by a further increase of 4% in occupancy percentage where it increased from 44% in 2018 to 48% in 2019, while still faced with the challenge of volatile market trends and fierce competition. The significant increase in room and suite reservations is an indication of the increase in clientele's awareness of our trademark and of our ability to provide high-end services.

In 2019 Banader and the Downtown Rotana hotel has become VAT compliant. Banader has also updated its Corporate Governance Code to meet up with the latest governance revisions.

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 Board Vice-chairman Mr. Jehad Amin who has been a key founder of Banader Hotels and welcome our new Vice-chairman Mr. Mohamed Almoayyed in his new leadership role. Additionally, I welcome our new Board Member Mr. Ahmed Mohamed Yateem and wish him a successful tenure with Banader Hotels. We reiterate our thanks to 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.

We expect and hope 2020 to be as thriving as 2019 with the hope for more opportunities in the hospitality and tourism sector to grow further in the region, driving increased visitors and occupancy rates. Internally, Banader's team will be focused on implementing reforms that should enable the company to alleviate its present challenges and take it a good leap towards success.



Abdulla Hassan Abdulla Buhindi
Chairman
12 February 2020

Independent auditors' report to the shareholders of Banader Hotels Company B.S.C.

Report on the audit of the financial statements

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 2019, the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, 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 2019, 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with its requirements. 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 for the year ended 31 December 2019. 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. The key audit matters include:

Impairment of property, plant and equipment

The Company has property, plant and equipment as disclosed in Note 5 of the financial statements which forms 97.5% of the Company's total assets, representing Downtown Rotana Hotel. The Company is incurring losses since commencement of its operations in 2016. The management assessed the impairment of property, plant and equipment of the Company by comparing its carrying value to the recoverable amount through an independent external expert.

The assessment of the recoverable amount requires significant judgement, in particular relating to estimated cash flow projections. Due to the level of judgement, market environment and significance to the Company's financial position, this is considered to be a key audit matter.

Our audit procedure included evaluation of the independence, competencies, capabilities and objectivity of the management's valuation expert, a critical evaluation of the appropriateness of the method and assumption used by the expert. In addition, we also assessed the adequacy and appropriateness of the related disclosures.

Revenue recognition

Revenue represents revenue from rooms, food and beverages, other operating departments and other miscellaneous income. The Company focuses on revenue as a key performance measure and by default, this area has a fraud risk element and is therefore considered as a significant risk.

Independent auditors' report to the shareholders of Banader Hotels Company B.S.C. (continued)

Report on the audit of the financial statements (continued)

Revenue recognition (continued)

Our audit procedures included considering appropriateness of revenue recognition as per the Company policy including those relating to discounts and assessing compliance with these policies. We tested the design and effectiveness of internal controls implemented by the Company throughout the revenue cycle. We assessed sales transactions taking place at either side of the statement of financial position date to assess whether the revenue was recognised in the correct period. We also performed analytical review on revenue based on trends in monthly sales and profit margins.

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified opinion on those statements in their report dated 25 February 2019.

Material uncertainty relating to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has incurred a net loss of BD3,405,413 during the year and its accumulated losses at the year end amounted to BD17,198,318 resulting in significant erosion of the share capital of the Company as at 31 December 2019. Further, the current liabilities exceed the current assets by BD10,225,108. These factors raise substantial doubt about the Company's ability to continue to operate as a going concern without the continued financial support of the shareholders. However, these financial statements have been prepared on a going concern basis as one of the major the shareholders have confirmed their willingness to continue to provide adequate financial support to the Company, whenever considered necessary, to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Directors' report and Corporate Governance report but does not include the financial statements and our auditor's report thereon. 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, 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 management and Those Charged With Governance ("TCWG") for the financial statements

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.

In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those Charged With Governance are responsible for overseeing the Company's financial reporting process.

Independent auditors' report to the shareholders of Banader Hotels Company B.S.C. (continued)

Report on the audit of the financial statements (continued)

Auditor's 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 auditor's 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 skepticism throughout the audit. We also:

- Identify and assess the risk 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 management;
- Conclude on the appropriateness of management's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- 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 management and TCWG 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 TCWG 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 TCWG, 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 auditor's 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.

**Independent auditors' report to the shareholders of
Banader Hotels Company B.S.C. (continued)****Report on other legal and regulatory requirements**

(A) As required by the Bahrain Commercial Companies Law, we report that:

- (1) we have obtained all the information we considered necessary for the purpose of our audit;
- (2) the Company has carried out stock taking in accordance with recognised procedures and 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.

(B) As required by the Ministry of Industry, Commerce and Tourism in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:

- (1) a corporate governance officer; and
- (2) Board approved written guidance and procedures for corporate governance.

In addition, we report that, except for the Company's share capital being substantially eroded as at 31 December 2019 and is not sufficient to meet its objectives as required by Article 109, 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, 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 or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2019.

BDO


Manama, Kingdom of Bahrain
12 February 2020



Banader Hotels Company B.S.C.
Statement of financial position as at 31 December 2019
(Expressed in Bahrain Dinars)

	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	36,773,498	38,630,710
Right-of-use assets	6	<u>221,480</u>	<u>-</u>
		<u>36,994,978</u>	<u>38,630,710</u>
Current assets			
Inventories	7	58,826	60,428
Trade and other receivables	8	453,305	439,923
Cash and bank balances	9	<u>211,947</u>	<u>723,114</u>
		<u>724,078</u>	<u>1,223,465</u>
Total assets		<u>37,719,056</u>	<u>39,854,175</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	22,950,150	22,950,150
Capital adjustment account	10	(2,434,650)	(2,434,650)
Statutory reserve	11	65,681	65,681
General reserve	12	279,236	184,318
Accumulated losses		<u>(17,198,318)</u>	<u>(13,697,987)</u>
Total equity		<u>3,662,099</u>	<u>7,067,512</u>
Non-current liabilities			
Non-current portion of term loan	13	14,875,992	17,290,378
Non-current portion of lease liability	14	99,650	-
Non-current portion of amount due to a related party	15	8,033,615	11,502,997
Employees' terminal benefits	16	<u>98,514</u>	<u>86,524</u>
		<u>23,107,771</u>	<u>28,879,899</u>
Current liabilities			
Trade and other payables	17	1,635,157	1,670,864
Current portion of term loan	13	2,364,137	2,235,900
Current portion of lease liability	14	127,504	-
Current portion of amount due to a related party	15	6,800,000	-
Bank overdrafts	18	<u>22,388</u>	<u>-</u>
		<u>10,949,186</u>	<u>3,906,764</u>
Total equity and liabilities		<u>37,719,056</u>	<u>39,854,175</u>

These financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf by:



 Abdulla Hasan Abdulla Buhindi
 Chairman


 Mohamed Farooq Yusuf Al-Moayyed
 Vice Chairman

Banader Hotels Company B.S.C.
Statement of profit or loss and other comprehensive income for the year ended 31 December 2019
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
Operating income	19	3,163,948	2,982,820
Operating costs	20	<u>(1,359,727)</u>	<u>(1,396,263)</u>
Operating profit for the year		1,804,221	1,586,557
Other income		<u>-</u>	<u>123,905</u>
		<u>1,804,221</u>	<u>1,710,462</u>
Non-operating expenses			
Depreciation of property, plant and equipment	5	(1,886,046)	(1,886,098)
General and administrative expenses	21	(1,627,273)	(1,851,942)
Finance costs	22	<u>(1,696,315)</u>	<u>(1,646,116)</u>
		<u>(5,209,634)</u>	<u>(5,384,156)</u>
Net loss and other comprehensive loss for the year		<u>(3,405,413)</u>	<u>(3,673,694)</u>
Earnings before interest, tax, depreciation and amortization ("EBITDA")		<u>309,275</u>	<u>(141,480)</u>
Basic and diluted loss per share	23	<u>(0.015)</u>	<u>(0.016)</u>

These financial statements were approved and authorised for issue by the Board of Directors and signed on their behalf by:


 Abdulla Hasan Abdulla Buhindi
 Chairman


 Mohamed Farooq Yusuf Al-Moayyed
 Vice Chairman

Banader Hotels Company B.S.C.
Statement of changes in shareholders' equity for the year ended 31 December 2019
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>Share capital</u>	<u>Capital adjustment account</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
At 31 December 2017		22,950,150	(2,434,650)	65,681	99,132	(9,939,107)	10,741,206
Net loss and other comprehensive loss for the year		-	-	-	-	(3,673,694)	(3,673,694)
Transfer to general reserve	12	-	-	-	85,186	(85,186)	-
At 31 December 2018		22,950,150	(2,434,650)	65,681	184,318	(13,697,987)	7,067,512
Net loss and other comprehensive loss for the year		-	-	-	-	(3,405,413)	(3,405,413)
Transfer to general reserve	12	-	-	-	94,918	(94,918)	-
At 31 December 2019		22,950,150	(2,434,650)	65,681	279,236	(17,198,318)	3,662,099

Banader Hotels Company B.S.C.
Statement of cash flows for the year ended 31 December 2019
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>Year ended 31 December 2019</u>	<u>Year ended 31 December 2018</u>
Operating activities			
Net loss for the year		(3,405,413)	(3,673,694)
Adjustments for:			
Depreciation on property, plant and equipment	5	1,886,046	1,886,098
Loss on disposal of property, plant and equipment		-	135,780
Finance costs	22	1,696,315	1,646,116
Amortisation of right-of-use asset	6	132,327	-
Interest expense on lease liability	14	15,187	-
Provision for impaired receivables	8	850	1,400
Changes in operating assets and liabilities:			
Inventories		1,602	1,086
Trade and other receivables		(10,955)	(40,865)
Trade and other payables		(38,984)	(487,286)
Employees' terminal benefits, net		11,990	25,657
Net cash provided by/(used in) operating activities		<u>288,965</u>	<u>(505,708)</u>
Investing activities			
Purchase of property, plant and equipment	5	(28,834)	(33,241)
Proceeds from disposal of property, plant and equipment		-	11,500
Net cash used in investing activities		<u>(28,834)</u>	<u>(21,741)</u>
Financing activities			
Principal elements of lease payments	14	(141,840)	-
Repayment of term loan		1,027,223	1,582,811
Proceeds from term loan		(3,313,372)	(3,412,875)
Net movement in amounts due to related party		3,330,618	4,501,743
Finance costs paid	22	(1,696,315)	(1,646,116)
Net cash (used in)/provided by financing activities		<u>(793,686)</u>	<u>1,025,563</u>
Net (decrease)/increase in cash and cash equivalents		(533,555)	498,114
Cash and cash equivalents, beginning of the year		<u>723,114</u>	<u>225,000</u>
Cash and cash equivalents, end of the year		<u>189,559</u>	<u>723,114</u>
Comprising:			
Cash and bank balances	9	211,947	723,114
Bank overdrafts	18	(22,388)	-
		<u>189,559</u>	<u>723,114</u>

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 (“the Hotel”) which is managed by Rotana Hotel Management Corporation Limited L.L.C. 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.

The Company is a 53.91% subsidiary of BMMI B.S.C. (“the Parent Company”).

The financial statements, set out on pages 8 to 32 were approved and authorised for issue by the Board of Directors on 12 February 2020.

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 in conformity with the Bahrain Commercial Companies Law, 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.

Basis of presentation

The financial statements have been prepared using the going concern assumption under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The functional and presentation currency of the Company is Bahrain Dinars (BD).

Going Concern

The Company’s current liabilities exceed the current assets by BD10,225,108. Further, as at the date of the statement of financial position the Company had accumulated losses of BD17,198,318 resulting in significant erosion of its share capital. These factors raise doubt about the Company’s ability to continue to operate as going concern without the continued financial support of the shareholders. However, these financial statements have been prepared on the going concern basis as one of the major shareholder has confirmed their willingness to continue to provide adequate financial support to the Company, whenever considered necessary, to meet its liabilities and when they fall due. Furthermore the Company has registered a positive EBITDA for the first year, the shareholders support has been mainly towards the serving of the HSBC Loan.

2 Basis of preparation (continued)

Improvements/amendments to IFRS/IAS

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS 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 future accounting period with earlier adoption.

Standards, amendments and interpretations effective and adopted in 2019

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2019 and has been adopted in the preparation of these financial statements:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16	Leases	1 January 2019

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases. As a result of adoption of IFRS 16, the Company has recognised right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under previous accounting requirements, the Company did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term, disclosing in its financial information the total commitment.

The Company has adopted and implemented IFRS 16 from 1 January 2019 and therefore the Company has recognised leases on statement of financial position as at 1 January 2019. In addition, it also decided to measure right-of-use assets by reference to the measurement of the lease liability on that date.

In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Company has recognised finance costs on its lease liabilities and amortisation charge on its right-of-use assets. This will increase reported EBITDA by the amount of its operating lease cost.

As a result of the adoption of this standard as of 1 January 2019, BD353,807 was recognised as right-of-use assets and as lease liabilities. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%. The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	<u>Operating lease commitment</u>
Operating lease commitments disclosed at 31 December 2018	379,660
Discounted using the lessee's incremental borrowing rate of at the date of initial application	<u>(25,853)</u>
Lease liabilities recognised under IFRS 16 at 1 January 2019	<u>353,807</u>

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2019 but not relevant

The following new standards, amendments and interpretations issued by the IASB are effective for the first time for periods beginning on or after 1 January 2019 but have not been adopted as these are not considered to be relevant to the Company's operation:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 12	Income taxes	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IAS 28	Investments in Associates and Joint Ventures	1 January 2019
IFRS 9	Financial instruments	1 January 2019
IFRS 3	Business combinations	1 January 2019
IFRS 11	Joint arrangements	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

Standards, amendments and interpretations issued but not yet effective in 2019

The following new/amended accounting standards and interpretations have been issued but are not mandatory for financial year ended 31 December 2019. They have not been adopted in preparing the financial statements for the year ended 31 December 2019 and will or may have an effect on the entity's future financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	Presentation of financial statements	1 January 2020
IAS 8	Accounting policies, changes in accounting estimates and errors	1 January 2020
IFRS 3	Business combinations	1 January 2020
IFRS 7	Financial instruments: Disclosures	1 January 2020
IFRS 9	Financial instruments	1 January 2020
IFRS 17	Insurance contracts	1 January 2021

There would have been no change in the operational results of the Company for the year ended 31 December 2019 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2019

The Company did not early-adopt any new or amended standards in 2019.

3 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, except for the changes arising due to adoption of IFRS 16.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use.

Depreciation is calculated on the straight-line basis to write-off the cost of property, plant and equipment to their estimated residual values over their expected economic useful lives as follows:

Buildings on freehold land	40 years
Furniture and fixtures	5 - 12 years
Computer and office equipment	5 years
Motor vehicles	5 years
Machinery and equipment	5-15 years

Freehold land is not depreciated as it is deemed to have an infinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written-down immediately to its recoverable amount.

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 they are incurred.

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.

Financial assets - Classification and measurement

The Company classifies its financial assets into financial assets at amortised cost category. This classification depends on the purpose for which the asset is acquired.

Financial assets at amortised cost

Financial assets carried at amortised cost are initially recognised at fair value plus transaction cost that are directly attributable to their acquisition or issue and subsequently carried at amortised cost using the effective interest rate method less, provision for impairment. Categories of financial assets measured at amortised cost are given below:

3 Significant accounting policies (continued)

Financial assets (continued)

Financial assets at amortised cost (continued)

Trade and other receivables

Trade and other receivables are carried at their anticipated realisable values. An estimate is made for impaired trade receivables based on a review of all outstanding amounts at the year-end. Bad debts are written-off during the year in which they are identified. Impairment provision is recognised based on expected losses over the entire life of the trade and other receivables unless these are collectable over more than 12 months, in which case impairment losses are recognised on three stage expected credit losses model developed internally by the Company.

Cash and cash equivalent

Cash and cash equivalent are recorded at amortised cost in the financial statements less expected credit loss. Cash and cash equivalent comprise of cash on hand and bank balances which are subject to insignificant risk of fluctuation in its realisable value.

Financial liabilities

The financial liabilities of the Company consist of trade and other payables. These financial liabilities are initially recognised at fair value and are subsequently re-measured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which is determined on the first in first out basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business net of selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventories.

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.

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.

3 Significant accounting policies (continued)

Employees' terminal benefits (continued)

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 profit or loss and other 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.

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.

3 Significant accounting policies (continued)

IFRS 16 Leases

Right-of-use assets

As explained above in Note 2, the Company has implemented IFRS 16 from 1 January 2019 and therefore the Company has recognised a right-of-use assets and lease liability in the condensed interim financial information. In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Company has recognised finance costs on its lease liabilities and amortisation charge on its right-of-use assets.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently amortised using the straight-line method from the commencement date to the earlier of the end of the estimated useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the right of use assets.

Lease liability

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprising fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

4 Critical accounting estimates and judgments

Preparation of the financial statements in accordance with IFRS requires 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 relate to:

- economic useful life of property, plant and equipment;
- fair value measurement;
- provisions;
- determination of lease term and the borrowing rates for leases;
- revenue recognition;
- going concern; and
- contingencies.

Economic useful life of property, plant and equipment

Property, plant and equipment is depreciated over their economic useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue or bring economic benefit to the Company. The economic useful lives are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of profit or loss and other comprehensive income in specific periods.

Fair value measurement

A number of assets and liabilities included in the Company's 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. Transfers of items between levels are recognised in the period they occur. The Company has only one category of financial assets which is carried at fair value on a recurring basis.

4 Critical accounting estimates and judgments (continued)

Provisions

The Company creates provisions for impaired trade and other receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2019, in the opinion of the Company's management, a provision of BD2,600 is required towards impaired trade and other receivables (2018: BD1,750). IFRS 9 has fundamentally changed the receivable loss impairment methodology. The standard has replaced IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Company also creates provision for obsolete and slow-moving inventories. At 31 December 2019, in the opinion of the management no provision necessary in respect for obsolete and slow-moving inventories (2018: BDNil). Estimates of net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of the period.

Determination of lease term and the borrowing rates for leases

The management of the Company exercises judgment while determining if it is reasonably certain while exercising the lease options at the commencement as well as during the lease term. The carrying value of lease liabilities are revised based on certain the variable elements of the future lease payments like rates or index. Determination of incremental borrowing rates used to determine the carrying value of lease liabilities and the discount rates used to determine the carrying value of right-of-use of lease rights involve, to certain extent, management estimates. Any changes to management estimate may have an impact on the term as well as the carrying values of the lease assets and liabilities.

Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

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.

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5 Property, plant and equipment

Cost	Freehold land	Buildings on freehold land	Furniture and fixtures	Computer and office equipment	Motor vehicles	Machinery and equipment	Total
At 31 December 2017	3,048,313	29,344,572	8,327,197	278,535	26,525	3,210,084	44,235,226
Additions	-	1,009	23,233	4,357	-	4,642	33,241
Disposals	-	(156,356)	-	-	-	-	(156,356)
At 31 December 2018	3,048,313	29,189,225	8,350,430	282,892	26,525	3,214,726	44,112,111
Additions	-	-	10,690	18,144	-	-	28,834
At 31 December 2019	<u>3,048,313</u>	<u>29,189,225</u>	<u>8,361,120</u>	<u>301,036</u>	<u>26,525</u>	<u>3,214,726</u>	<u>44,140,945</u>
Accumulated depreciation							
At 31 December 2017	-	1,335,168	1,414,017	96,252	14,910	744,032	3,604,379
Charge for the year	-	733,950	805,449	52,759	4,350	289,590	1,886,098
On disposals	-	(9,076)	-	-	-	-	(9,076)
At 31 December 2018	-	2,060,042	2,219,466	149,011	19,260	1,033,622	5,481,401
Charge for the year	-	729,731	806,574	55,220	4,350	290,171	1,886,046
At 31 December 2019	-	<u>2,789,773</u>	<u>3,026,040</u>	<u>204,231</u>	<u>23,610</u>	<u>1,323,793</u>	<u>7,367,447</u>
Net book value							
At 31 December 2019	<u>3,048,313</u>	<u>26,399,452</u>	<u>5,335,080</u>	<u>96,805</u>	<u>2,915</u>	<u>1,890,933</u>	<u>36,773,498</u>
At 31 December 2018	<u>3,048,313</u>	<u>27,129,183</u>	<u>6,130,964</u>	<u>133,881</u>	<u>7,265</u>	<u>2,181,104</u>	<u>38,630,710</u>

Freehold land and building are mortgaged against the term loan obtained by the Company (Note 13). Building includes accumulated borrowing costs of BD1,884,269 directly attributable to the construction of the building.

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6 Right-of-use assets

	31 December 2019
Office and staff accomodation	
On adoption of IFRS 16 as at 1 January 2019 (Note 2)	353,807
Amortisation charge for the period	<u>(132,327)</u>
Closing Balance	<u>221,480</u>

7 Inventories

	31 December 2019	31 December 2018
Food and beverages	<u>58,826</u>	<u>60,428</u>

8 Trade and other receivables

	31 December 2019	31 December 2018
Trade receivables	252,451	252,167
Provision for impaired trade receivables	<u>(2,600)</u>	<u>(1,750)</u>
	249,851	250,417
Prepayments	75,767	56,502
Deposits	61,373	62,783
Advance paid to suppliers/contractors	34,862	30,321
Amount due from related parties (Note 25)	7,026	14,851
Advances to staff	3,817	2,799
Other receivables	<u>20,609</u>	<u>22,250</u>
	<u>453,305</u>	<u>439,923</u>

The movement in provision for impaired trade receivables is as follows:

	31 December 2018	31 December 2019
Opening balance	1,750	1,050
Provision for the year	850	1,400
Provision written back	<u>-</u>	<u>(700)</u>
Closing balance	<u>2,600</u>	<u>1,750</u>

8 Trade and other receivables (continued)

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. The adoption of IFRS 9 does not have any material impact on the Company's financial statements.

The Company's trade and other receivables are denominated in Bahrain Dinars.

In the opinion of the Company's management, the fair values of the trade and other receivables are not expected to be significantly different from their carrying values as at 31 December 2019.

9 Cash and bank balances

	31 December 2019	31 December 2018
Current account balances	203,308	708,605
Cash on hand	<u>8,639</u>	<u>14,509</u>
	<u>211,947</u>	<u>723,114</u>

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

10 Share capital

	31 December 2019	31 December 2018
Authorised share capital 300,000,000 (2018: 300,000,000)		
Ordinary shares of 100 fils each	<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid-up 229,501,500 (2018: 229,501,500)		
Ordinary shares of 100 fils each	<u>22,950,150</u>	<u>22,950,150</u>

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 nonparticipating, 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, nonparticipating 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.

10 Share capital (continued)

The shareholders of the Company approved to increase the total number of the irredeemable preference shares to 64,500 in their extraordinary Annual General 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. 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".

The Company has only one class of equity shares and the shareholders have equal voting rights.

The distribution pattern of the issued share capital, setting out the number of shareholders and the percentages broken down into the following categories are as follows:

	Number of shares		Number of shareholders		Percentage of total outstanding shares	
	2019	2018	2019	2018	2019	2018
Directors	1,751,697	3,660,718	6	7	0.76%	1.60%
Less than 1%	77,221,622	84,520,386	3,129	3,162	35.22%	36.82%
1% up to less than 5%	26,801,301	17,593,516	6	3	10.11%	7.67%
More than 5%	<u>123,726,880</u>	<u>123,726,880</u>	<u>1</u>	<u>1</u>	<u>53.91%</u>	<u>53.91%</u>
	<u>229,501,500</u>	<u>229,501,500</u>	<u>3,142</u>	<u>3,173</u>	<u>100%</u>	<u>100%</u>

11 Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law Decree No. 21 of 2001, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law. During the year, the Company has incurred a loss, no transfer was made to the statutory reserve for the year ended 31 December 2019 (2018: BDNil).

12 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. During the year, an amount of BD94,918 (2018: BD85,186) was transferred to general reserve.

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13 Term loan

	<u>31 December 2019</u>	<u>31 December 2018</u>
HSBC Bank Middle East Limited	17,240,129	19,526,278
Less: current portion of term loan	<u>(2,364,137)</u>	<u>(2,235,900)</u>
Non-current portion of term loan	<u>14,875,992</u>	<u>17,290,378</u>

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 5) and guarantee by BMMI B.S.C., a related party, 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.

14 Lease liability

	<u>31 December 2019</u>
Lease liabilities on adoption of IFRS 16 (Note 2)	353,807
Lease payments	(141,840)
Finance charges (Note 21)	<u>15,187</u>
	227,154
Less: Current liabilities	<u>(127,504)</u>
Non-current liabilities	<u>99,650</u>

Maturity analysis - contractual undiscounted cash flows:

	<u>31 December 2019</u>
Less than one year	136,120
One to five years	<u>101,700</u>
Total undiscounted lease liabilities	<u>237,820</u>

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15 Amount due to a related party

	31 December 2019	31 December 2018
BMMI B.S.C.	14,833,615	11,502,997
Less: current portion of amount due to a related party*	<u>(6,800,000)</u>	<u>-</u>
Non-current portion of amount due to a related party	<u>8,033,615</u>	<u>11,502,997</u>

The amount due to related party includes loan of BD12,838,693 (2018: BD10,903,000) obtained from BMMI B.S.C. to finance the repayment of term loan obtained from Company's bankers, construction work related payments of the Hotel and other working capital requirements. This 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.

16 Employees' terminal benefits

Local 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 2019 amounted to BD24,853 (2018: BD30,756).

Expatriate employees

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

	31 December 2019	31 December 2018
Opening balance	86,524	60,867
Accruals for the year	38,068	36,354
Payments during the year	<u>(26,078)</u>	<u>(10,697)</u>
Closing balance	<u>98,514</u>	<u>86,524</u>
The number of staff employed by the Company	<u>177</u>	<u>189</u>

17 Trade and other payables

	31 December 2019	31 December 2018
Trade payables	165,146	215,855
Retention payables	1,174,121	1,175,371
Government levy payable	42,876	83,461
Leave salary and air passage	51,451	63,398
Refundable subscription to share capital	15,733	15,733
Advances from customers (contract liabilities)	18,020	13,323
Management fee payable	5,255	5,728
Amount due from related parties (Note 24)	20,566	3,301
Other payables	<u>141,989</u>	<u>94,694</u>
	<u>1,635,157</u>	<u>1,670,864</u>

In the opinion of the Company's management, the fair values of the trade and other payables approximate their carrying values.

Amounts due to related parties are unsecured, bear no interest and have no fixed repayment terms.

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18 Bank overdrafts

	31 December 2019	31 December 2018
Bank overdrafts	<u>22,388</u>	<u>-</u>
Overdraft facility limit	<u>150,000</u>	<u>150,000</u>

The Company has obtained bank overdraft facilities from HSBC Bank to finance its working capital requirements. The bank overdrafts bear interest at BIBOR plus 2% per annum and are repaid monthly in arrears.

19 Operating revenue

	Rooms	Food and beverage	Operating departments	Year ended 31 December 2019
Goods transferred at a point in time	-	722,868	-	722,868
Services rendered over time	<u>1,988,842</u>	<u>-</u>	<u>452,238</u>	<u>2,441,080</u>
	<u>1,988,842</u>	<u>722,868</u>	<u>452,238</u>	<u>3,163,948</u>

	Rooms	Food and beverage	Operating departments	Year ended 31 December 2018
Goods transferred at a point in time	-	758,995	-	758,995
Services rendered over time	<u>2,063,394</u>	<u>-</u>	<u>160,431</u>	<u>2,223,825</u>
	<u>2,063,394</u>	<u>758,995</u>	<u>160,431</u>	<u>2,982,820</u>

20 Cost of operations

	Year ended 31 December 2019	Year ended 31 December 2018
Direct labour	702,701	752,534
Food and beverages	261,260	251,853
Other overhead expenses	<u>395,766</u>	<u>391,876</u>
	<u>1,359,727</u>	<u>1,396,263</u>

21 General and administrative expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Staff costs	641,098	853,761
Commission	154,085	144,744
Corporate expenses	146,842	196,364
Loss of disposal of property, plant and equipment	-	135,780
Amortisation of right-of-use asset (Note 6)	132,327	-
Interest expense on lease liability (Note 14)	15,187	-
Management fees	73,312	59,656
IT costs	93,378	88,434
Contract services	76,671	74,967
Advertisement and business promotion	43,150	45,834
Legal and professional fees	37,260	36,574
Printing and stationery	35,478	37,378
Selling expenses	15,952	20,010
Other administrative expenses	<u>162,533</u>	<u>158,440</u>
	<u>1,627,273</u>	<u>1,851,942</u>

22 Finance costs

	Year ended 31 December 2019	Year ended 31 December 2018
Interest on term loan	1,027,303	1,156,975
Interest on amount due from a related party (Note 25)	653,504	463,678
Other expenses	<u>15,508</u>	<u>25,463</u>
	<u>1,696,315</u>	<u>1,646,116</u>

23 Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss or loss attributable to the shareholders by the weighted average number of ordinary shares issued during the period.

	Year ended 31 December 2019	Year ended 31 December 2018
Net loss attributable to the shareholders	(3,405,413)	(3,673,694)
Weighted average number of ordinary shares	<u>229,501,500</u>	<u>229,501,500</u>
Basic and diluted loss per share	<u>(0.015)</u>	<u>(0.016)</u>

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

24 Dividend

Proposed by the Board of Directors

The Board of Directors do not propose to pay any further dividends to the shareholders for the year ended 31 December 2019 (2018: BDNil). This is subject to the approval of shareholders in the annual general meeting.

25 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. Related parties include the major shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its major shareholders, directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorised by the management and are on arm's length basis.

Transactions with related parties are as follows:

Related party	Related party relationship	Type of transaction	Year ended 31 December 2019	Year ended 31 December 2018
BMMI B.S.C.	Shareholder	Purchases	31,764	22,175
BMMI B.S.C.	Shareholder	Sales	51,023	39,772
BMMI B.S.C.	Shareholder	Interest on loan from related party (Note 22)	653,504	463,678
BMMI B.S.C.	Shareholder	Rent expenses	-	800
			<u>736,291</u>	<u>526,425</u>

The total salaries to members of key management personnel during 2019 (including salaries and benefits) amounted to BD69,717 (2018: BD76,632). The total sitting fees to Board of Directors during 2019 was BD17,700 (2018: BD16,500).

25 Transactions and balances with related parties (Continued)

A summary of related party balances is as follows:

	Related party relationship	31 December 2019	31 December 2018
Amounts due from related parties (Note 8)			
Bayader S.P.C.	Common shareholder	6,917	5,877
Al Bander Rotana- Creek	Common management	41	-
Babylon Rotana	Common management	28	-
BMMI B.S.C.	Parent Company	-	5,273
Majestic Arjaan by Rotana	Common management	<u>40</u>	<u>3,701</u>
		<u>7,026</u>	<u>14,851</u>

	Related party relationship	31 December 2019	31 December 2018
Amounts due to related parties (Note 17)			
Art Rotana Hotel	Common management	10,682	1,524
BMMI B.S.C.	Parent company	6,455	-
Rotana Hotel Management	Management Company	2,467	1,096
Amwaj Rotana - Jumierah Beach Dubai	Common management	<u>962</u>	<u>681</u>
		<u>20,566</u>	<u>3,301</u>

26 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.

27 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include cash and cash and bank balances, trade and other receivables, amount due to a related party, bank overdrafts, term loan and trade and other payables. The specific 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 light of changes in economic conditions. No changes were made in the objectives, policies and processes during the years ended 31 December 2019 and 2018.

27 Financial assets and liabilities and risk management (continued)

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, trade and other payables, amounts due to related parties, term loan, bank overdraft, lease liabilities less cash and bank balances. Equity includes share capital and reserves net of accumulated losses attributable to the shareholders of the Company.

	31 December 2019	31 December 2018
Trade and other payables	1,635,157	1,670,864
Term loan	17,240,129	19,526,278
Amount due to a related party	14,833,615	11,502,997
Bank overdraft	22,388	-
Lease liability	227,154	-
Less: cash and bank balances	<u>(211,947)</u>	<u>(723,114)</u>
Net debt	<u>33,746,496</u>	<u>31,977,025</u>
Total equity	<u>3,662,099</u>	<u>7,067,512</u>
Equity and net debt	<u>37,408,595</u>	<u>39,044,537</u>
Gearing ratio	<u>90.21%</u>	<u>81.90%</u>

Risk management is carried out by the Board of Directors, which has overall responsibility for the Company and oversight of the Company's risk management framework and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board receives monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as credit risk, interest risk, foreign exchange risk and investment of excess liquidity.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. 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. Concentration of credit risk with respect to trade receivables is limited due to the Company's diversified customer base. A regular annual review and evaluation of these accounts are carried out to assess the credit standing of the customers. The risk management policy relating to trade and other receivables is provided in Note 8.

27 Financial assets and liabilities and risk management (continued)

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 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 a related party which bear interest rate ranging from 2% to 2.45% plus BHIBOR. The Company's other assets and liabilities in the opinion of the management are not sensitive to interest rate risk.

Management runs a sensitivity analysis for interest rate risk; if the interest rates during the reporting period had been higher by 100 basis points, with all other variables being constant, the profit for the year would have been higher by BD320,737 (2018: BD310,293) and vice versa.

The sensitivity of the statement of profit or loss and other comprehensive income due to the effect of reasonably possible changes in interest rates, with all other variables held constant, is not estimated to be significant by management.

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 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.

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 instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company's management monitors liquidity requirements on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

The following table shows the maturity profile of financial liabilities as at 31 December 2019:

	<u>Due within 1 year</u>	<u>Between 1 to 5 years</u>	<u>Total</u>
Bank overdraft	22,388	-	22,388
Trade and other payables, net of employees' terminal benefits	1,562,409	-	1,562,409
Amount due to a related party	-	14,833,615	14,833,615
Term loan	<u>2,364,137</u>	<u>14,875,992</u>	<u>17,240,129</u>
	<u>3,948,934</u>	<u>29,709,607</u>	<u>33,658,541</u>

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

	<u>Due within 1 year</u>	<u>Between 1 to 5 years</u>	<u>Total</u>
Trade and other payables, net of employees' terminal benefits	1,594,143	-	1,594,143
Amount due to a related party	-	11,502,997	11,502,997
Term loan	<u>2,235,900</u>	<u>17,290,378</u>	<u>19,526,278</u>
	<u>3,830,043</u>	<u>28,793,375</u>	<u>32,623,418</u>

27 Financial assets and liabilities and risk management (continued)

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 trade and other receivables excluding prepayments, cash and bank balances and trade and 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 2019.

28 Subsequent events

There were no significant events subsequent to 31 December 2019 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

1. Description of the actions taken to complete the Corporate Governance Code during the year 2019.

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. The Corporate Governance Code for the Company was approved by the Board of Directors in 2015. This Code is based on the High-Level Control Module Volume 6 of CBB Rule Book. On 5 April 2018 the Official Gazette No. 3360 Publication Order No. (19) of 2018 concerning Issuance of the Corporate Governance Code for 2018 which entered into force on 1 September 2018. In this issue, MOICT - the Ministry of Industry, Commerce and Tourism summarised the most important requirements of the Code for joint stock companies, whereas the Related Party Transactions supplement was amended to include the role of the Corporate Governance officer in regard to the Related Party. Corporate Responsibility role was also added.

Banader Hotels Company has formed the Remuneration and Corporate Governance Committee, which is concerned with following an approach to lead the company for directing and controlling its business, and it includes mechanisms to organize various relationships between the board of directors, executive managers, shareholders and stakeholders, by setting special rules and procedures to facilitate follow-up and decision-making process, and make it transparent and credible with a view to protecting the rights of shareholders and stakeholders, and achieving justice, competition and transparency.

2. Description of the transactions of the board of directors in the Company's shares during the year 2019 according to the following table:

Name	Position	Shares Held 31/12/2019	Total sale Transaction	Total Purchase Transaction
Abdulla Hassan Abdulla Buhindi	Chairman	1,101,834	-	-
Mohammed Farooq Yusuf Al Moayyed From 20 March 2019	Vice- Chairman	100,000	-	-
Redha Abdulla Ali Faraj	Director	9,766	-	-
Khaled Ali Rashed Al Ameen	Director	436,408	-	-
Yusuf Abdulrahman Yusuf Fakhro	Director	100,000	-	-
Ammar Aqeel Ali Al Hassan	Director	-	-	-
Suhail Mohammed Husain Hajee	Director	3,689	-	-
Nael Jamil Issa Hashweh	Director	-	-	-
Ahmed Mohamed Husain Yateem Appointed from 20 March 2019	Director	-	-	-



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Composition of the Board:

The Board of Directors of Banader Hotels Company (BSC) had nine members as on 31 December 2019. On 20 March 2019 Mr. Jehad Yusuf Abdullah Amin requested to be exempted from the company's Board of Directors where he held the position of Vice Chairman of the Board. The Board accepted Mr. Amin's request and accordingly Mr. Mohamed Farooq Yusuf Al-Moayyed was appointed as Vice Chairman of the Board of Directors, and Mr. Ahmed Mohamed Husain Yateem was appointed to represent BMMI as a new member of the Board of Directors since that date.

A. Description of the current Board composition according to the following table:

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

Name of Board Member	Executive / Non-executive Independent / Non-independent	Qualification	Experience in years	Start date
Abdulla Hassan Abdulla Buhindi	Non-executive / Independent	Bachelor of Commercial Banking	53	2005
Mohammed Farooq Yusuf Al Moayyed	Non-executive / Independent	Bachelor of Business Administration	21	2005
Redha Abdulla Ali Faraj	Non-executive / Non-independent	ACCA	58	2016
Khaled Ali Rashed Al Ameen	Non-executive / Independent	Bachelor of Marketing	28	2009
Yusuf Abdulrahman Yusuf Fakhro	Non-executive / Independent	Bachelor's International Relations	18	2012
Ammar Aqeel Ali Al Hassan	Executive / Non-independent	Master of Business Administration	21	2011
Suhail Mohammed Husain Hajee	Non-executive / Non-independent	MBA & Bachelor of Computer Engineering	32	2012
Nael Jamil Issa Hashweh	Non-executive / Independent	Hotel Management Diploma	47	2012
Ahmed Mohamed Husain Yateem	Non-executive / Non-independent	Bachelor of Business Administration	11	2019



**Banader Hotels Company B.S.C.
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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
Mohammed Farooq Yusuf Al Moayyed	2	9	none
Redha Abdulla Ali Faraj	1	0	Shura Council Member Minors Estate Guardianship Council
Khaled Ali Rashed Al Ameen	4	1	Economic Development Board
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
Ahmed Mohamed Husain Yateem	1	1	none

B. Description of the sitting fees paid to the directors for attendance of the Board's committees for the financial year ended 31 December 2019 according to the following table:

Name of the Board member	Sitting fees paid for attendance of the Board's committees		
	Name of committee	Sitting fees amount BD	No. of Meetings
Abdulla Hassan Abdulla Buhindi	Remuneration and Corporate Governance Committee	600	2
Mohammed Farooq Yusuf Al Moayyed		600	2
Suhail Mohammed Husain Hajee		600	2
Redha Abdulla Ali Faraj	Audit, Risk and Compliance Committee	1,200	4
Ammar Aqeel Ali Al Hassan		1,200	4
Khaled Ali Rashed Al Ameen		300	1
Yusuf Abdulrahman Yusuf Fakhro		1,200	4
Ahmed Mohamed Husain Yateem		600	2



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

C. Summary of the remuneration paid to the Board of Directors according to the following table:

	2019 BD	2018 BD
Total remunerations paid to the directors	17,700	16,500

D. Number of the Board's meetings held during the financial year 2019

The Company should hold a minimum of four Board meetings during each year. During the year ended 31 December 2019, four meetings (2018: five 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	25 Feb	20 Mar	5 May	28 Oct
Abdulla Hassan Abdulla Buhindi	Chairman	x	x	x	x
Jehad Yusuf Abdulla Amin Up to 20 March 2019	Vice Chairman	x	x		
Mohammed Farooq Yusuf Al Moayyed From 20 March 2019	Vice Chairman	x	x	x	x
Redha Abdulla Ali Faraj	Member	x	-	x	x
Khaled Ali Rashed Al Ameen	Member	x	x	x	x
Yusuf Abdulrahman Yusuf Fakhro	Member	x	x	-	x
Suhail Mohammed Husain Hajee	Member	x	x	x	x
Ammar Aqeel Ali Mohamed	Member	x	x	x	x
Nael Jamil Issa Hashweh	Member	x	-	-	x
Ahmed Mohamed Husain Yateem (Appointed 20 March 2019)	Member			x	-



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

E. 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; and
- 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.

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.

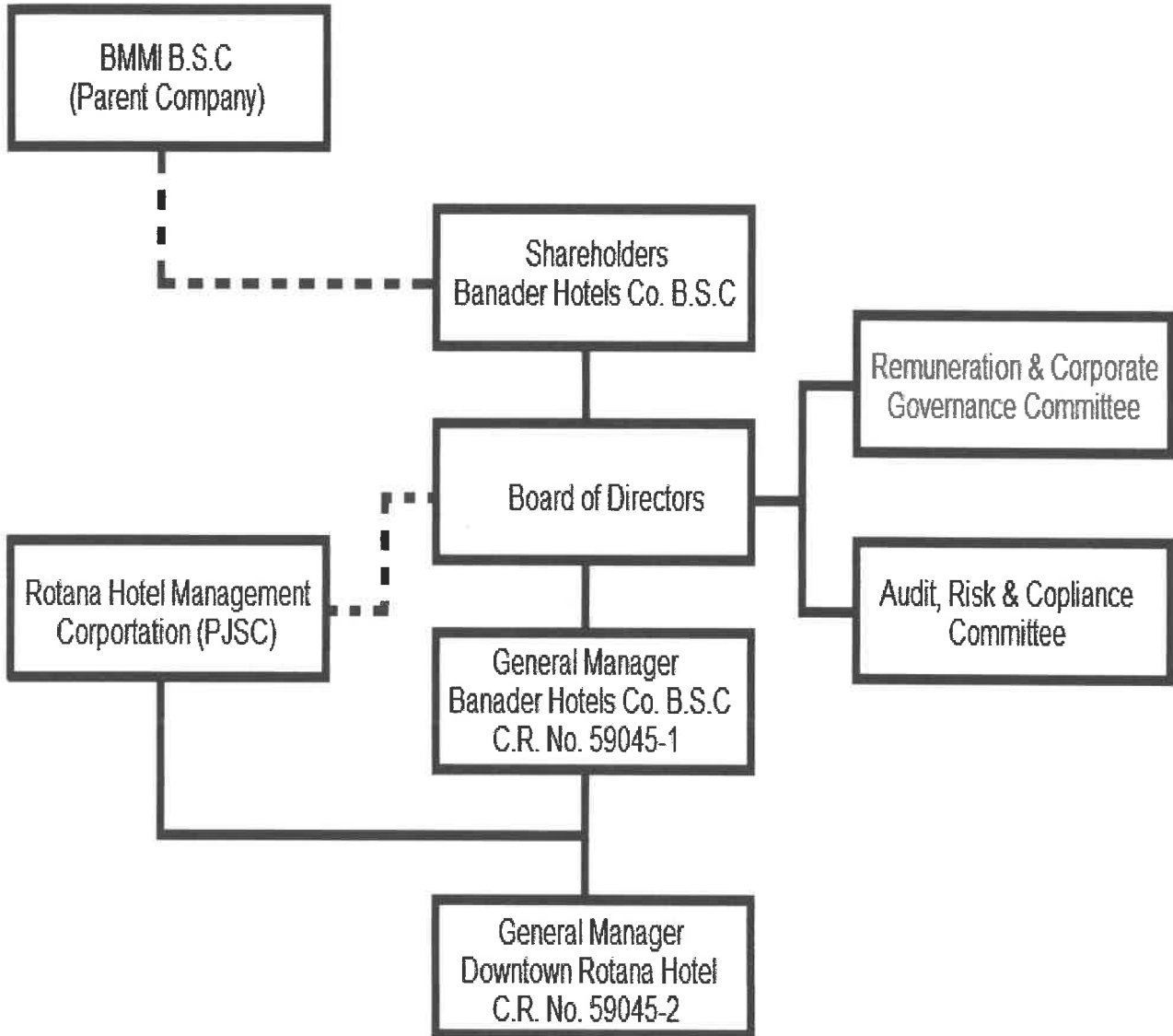
F. Details of transactions with related parties, indicating the nature of relationship and type of transaction during 2019.

Name of related party	Relationship	Transaction Nature	Amount (BD)
BMMI B.S.C.	Parent company	Sales	51,023
BMMI B.S.C.	Parent company	Purchase	31,764
BMMI B.S.C.	Parent company	Interest on loan	653,504
		Total	736,291



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

G. Banader's Organizational Structure:





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CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	2019	2018
	BD	BD
Salaries	18,000	23,307
Bonuses	-	-
Allowances	-	-
Employees' end of service benefits	-	3,076
Total	18,000	26,383

I. 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. Hasan Kamal Hubaishi	General Manager	39	Master of Business Administration.

4. External Auditors

BDO Bahrain was established in 1980, it is one of the leading accounting and consulting firms in the Kingdom of Bahrain. BDO Bahrain is a member of the BDO International Network, which enables it to communicate with various consultants within the BDO International Network, which has more than 1,591 offices over more than 162 countries around the world. BDO Bahrain is led by eight partners and provides various professional services in the field of external and internal auditing, advisory and tax services.

Name of Audit Firm	BDO
Years of Service as the Company's external Auditors	One Year
Name of Partner in Charge of the Company's Audit	Arshad Gadit
The Partner's years of service as in-charge of the company	One Year
Total Audit Fees for the year ended 31 December 2019	The information is kept at corporate office and will be produced upon request, after the approval of the Board of Directors.
Other Special fees for non-audit Services	None



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Audit, Risk & Compliance Committee

A. The Audit, Risk and Compliance Committee comprises five members as at 31 December, 2019, and their responsible for the following:

- 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.
- 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.

The main 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.



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

B. Number of Audit, Risk & Compliance Committee meetings

The Company should hold a minimum of four Audit, Risk & Compliance Committee meetings each year. During the year ended 31 December 2019, four meetings (2018: 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	5 Feb	22 Apr	23 Sep	24 Oct
Redha Abdulla Ali Faraj	Chairman	x	x	x	x
Ammar Aqeel Ali Al Hassan	Vice Chairman	x	x	x	x
Khaled Ali Rashed Al Ameen	Member	-	-	x	-
Yusuf Abdul Rahman Yusuf Fakhroo	Member	x	x	x	x
Mohammed Farooq Yusuf Al Moayyed (Up to 20 March 2019)	Member	x			
Ahmed Mohamed Husain Yateem (Appointed 20 March 2019)	Member		x	x	-

6. The Remuneration and Corporate Governance Committee

A. The Board of Directors decided to form one committee to combine the “Remuneration and Rewards” matters and the “Corporate Governance” matters into one committee. The Chairman of the committee shall be an independent director. This shall be in line with international best practice under which the committee can exercise its powers without conflict between personal and functional interests. The following are the committee's competence and tasks entrusted to it:

- Review the company's policies relating to the remuneration of directors and senior executives, which shall be approved by the shareholders;
- Make recommendations to the Board on remuneration policies and amounts allocated to each person, taking into consideration the total remuneration, including salaries, fees, expenses and employee benefits, subject to the rules and provisions of the Commercial Companies Law concerning the payment of remunerations and other benefits as well as the company's articles of association.
- Remunerate directors based on their attendance and performance.
- Developing and making recommendations on the changes required under the company's corporate governance policy from time to time. The governance committee may be merged with the nomination and remuneration committee;
- Monitoring and overseeing the implementation of the corporate governance framework by working together with the executive management, audit committee and Shari'a supervisory board; and
- Providing the Board with reports and recommendations based on its findings in the performance of its duties.



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

Remuneration policy

The remuneration policy is based on basic and attendance fees amounted to BD 17,700 (2018: BD 16,500).

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. The next election will be at the shareholders' meeting in 2021.

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.

B. Number of the Remuneration and Corporate Governance Committee meetings

The Company should hold a minimum of two Remuneration and Corporate Governance Committee meetings each year. During the year ended 31 December 2019, two meetings were held.

The following table summarizes the information about the Committee meetings dates and attendance of directors at each meeting:

Audit Committee Members	Position	5 February	28 October
Abdulla Hassan Abdulla Buhindi	Chairman	x	x
Mohammed Farooq Yusuf Al Moayyed	Vice Chairman	x	x
Suhail Mohammed Husain Hajee	Member	x	x

7. Corporate Governance Officer Details:

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

8. 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.



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

9. SOCIAL RESPONSIBILITY

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

10. Statement of Shareholders' equity as of 31/12/2019:

A. Statement of shareholders' equity as of 31/12/2019

Consolidated Shareholding Pattern as on 31/12/2019			
Category	No. of Holders	Total Shares	% To Equity
INDIVIDUALS	3056	67,085,719	29.23
PROMOTERS	29	6,892,584	3.00
PRIVATE COMPANIES	23	10,494,054	4.57
LOCAL INVESTOR	-	-	-
INDIVIDUAL PRIVATE COMPANIES	11	1,360,178	0.59
PUBLIC LOCAL COMPANIES REGISTERED IN BHB	6	131,129,531	57.14
CLOSED LOCAL COMPANIES	8	6,701,460	2.92
BOARD MEMBERS	6	5,036,108	2.19
LOCAL PRIVATE SECTOR	-	-	-
GCC INVESTOR	2	4,000	0.00
GCC COMPANIES	1	797,866	0.35
Total	3,142	229,501,500	100.00 %

B. Description of the Shareholders who hold 5% of the Company's Share Capital as at 31/12/2019.

Shareholders holding 5 % and above Shares as on 31/12/2019			
Name	No. of shares	% of equity	Category
BMMI BSC	123,726,880	53.91%	PUBLIC LOCAL COMPANIES REGISTERED IN BHB

C. Description of how shareholders are distributed according to their respective shareholding as at 31/12/2019 as follows:

Distribution Schedule - Consolidated as on 31/12/2019			
Shares Category	No. of Holders	Total Shares	% of Amount
1 - 50,000	2963	10,516,677	4.58
50,000 - 500,000	124	22,512,994	9.81
500,000 - 5,000,000	53	61,594,949	26.84
5,000,000 & Above	2	134,876,880	58.77
TOTAL	3,142	229,501,500	100%



**Banader Hotels Company B.S.C.
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**


11. 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.

12. 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


 Abdulla Hassan Abdulla Buhindi
 Chirman