

Condensed interim financial statements and review report  
**Banader Hotels Company B.S.C.**  
For the period from 1 January 2017 to 31 March 2017

## Contents

	<b>Page</b>
<b>General information</b>	<b>1</b>
<b>Review report</b>	<b>2</b>
<b>Condensed interim statement of financial position</b>	<b>3</b>
<b>Condensed interim statement of comprehensive income</b>	<b>4</b>
<b>Condensed interim statement of changes in equity</b>	<b>5</b>
<b>Condensed interim statement of cash flows</b>	<b>6</b>
<b>Notes to the condensed interim financial statements</b>	<b>7-14</b>

## General information

Commercial registration	:	59045 obtained on 20 December 2005	
Directors	:	Mr. Abdulla Hasan Buhindi	- Chairman
		Mr. Jehad Yusuf Abdulla Amin	- Vice Chairman
		Mr. Khaled Ali Al-Ameen	- Director
		Mr. Mohammed Farooq Yusuf Al-Moayyed	- Director
		Mr. Ammar Aqeel Al-Hassan	- Director
		Mr. Sulaiman Ahmed Saeed Al-Houqani (Deceased 9 January 2017)	- Director
		Mr. Suhail Mohammed Hajee	- Director
		Mr. Nael Jamil Isa Hashweh	- Director
		Mr. Yusuf Abdulrahman Yusuf Fakhroo	- Director
		Mr. Redha Abdulla Ali Faraj	- Director
Audit Committee	:	Mr. Redha Abdulla Ali Faraj	- Chairman
		Mr. Ammar Aqeel Al-Hassan	- Vice Chairman
		Mr. Khaled Ali Al-Ameen	- Member
		Mr. Mohammed Farooq Yusuf Al-Moayyed	- Member
		Mr. Yusuf Abdulrahman Yusuf Fakhroo	- Member
General Manager	:	Mr. Ebrahim M. A. Bucheery	
Registered office	:	Office 12, Building 1006 Road 2813, Block 428 Al Seef Area P.O. Box 2474 Manama, Kingdom of Bahrain	
Bankers	:	Kuwait Finance House Bank of Bahrain and Kuwait HSBC Bank Middle East Limited	
Reviewers	:	Grant Thornton - Abdulaal P.O. Box 11175 12 <sup>th</sup> Floor, Al Nakheel Tower Seef District, Kingdom of Bahrain	
Registrar	:	Karvy Computershare W.L.L. P.O. Box 514 Manama, Kingdom of Bahrain	

## Review report

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

**Grant Thornton - Abdulaal**  
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### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of **Banader Hotels Company B.S.C.** (the “**Company**”) as at 31 March 2017 and the condensed interim statements of comprehensive income, changes in equity and cash flows for the period from 1 January 2017 to 31 March 2017, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at 31 March 2017, and its financial performance and its cash flows for the three month period then ended in accordance with IAS 34 Interim Financial Reporting.

*Grant Thornton*

Partner’s Registration No. 30  
4 May 2017  
Manama, Kingdom of Bahrain

## Condensed interim statement of financial position

	Notes	Unaudited 31 March 2017 BD	Audited 31 December 2016 BD
<b>Assets</b>			
<b>Non-current asset</b>			
Property, plant and equipment	3	41,715,265	42,267,135
<b>Current assets</b>			
Inventories		76,428	153,608
Trade and other receivables		306,147	330,315
Cash and cash equivalents		595,199	497,662
		<b>977,774</b>	<b>981,585</b>
<b>Total assets</b>		<b>42,693,039</b>	<b>43,248,720</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital		22,950,150	22,950,150
Capital adjustment account		(2,434,650)	(2,434,650)
Statutory reserve		65,681	65,681
General reserve		52,582	38,460
Accumulated losses		(7,326,053)	(6,269,577)
		<b>13,307,710</b>	<b>14,350,064</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loan	4	20,922,127	20,029,755
Amount due to related party	5	4,430,555	3,698,473
Employees' terminal benefits		66,536	65,309
		<b>25,419,218</b>	<b>23,793,537</b>
<b>Current liabilities</b>			
Trade and other payables		574,405	688,714
Current portion of term loan	4	1,795,255	1,636,132
Retention payables		1,596,451	2,780,273
		<b>3,966,111</b>	<b>5,105,119</b>
<b>Total liabilities</b>		<b>29,385,329</b>	<b>28,898,656</b>
<b>Total equity and liabilities</b>		<b>42,693,039</b>	<b>43,248,720</b>

These condensed interim financial statements were approved by the Board of Directors on 4 May 2017 and signed on its behalf by:



Abdulla Hasan Buhindi  
Chairman



Jihad Yusuf Amin  
Vice Chairman

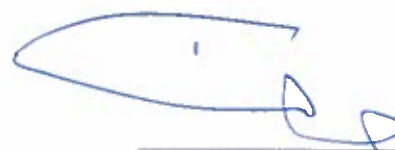
## Condensed interim statement of comprehensive income

	Notes	Unaudited Period from 1 January 2017 to 31 March 2017 BD	Unaudited Period from 1 January 2016 to 31 March 2016 BD
Operating revenue	6	706,097	116,866
Cost of operations	7	(438,426)	(168,522)
<b>Gross profit/ (loss)</b>		<b>267,671</b>	<b>(51,656)</b>
<b>Expenses</b>			
Staff costs		(227,738)	(115,218)
General and administrative expenses	8	(185,385)	(31,535)
Corporate expenses		(66,379)	(36,507)
Pre-opening expenses	9	-	(702,196)
Depreciation	3	(551,870)	(120,907)
Finance costs		(278,653)	(70,057)
		<b>(1,310,025)</b>	<b>(1,076,420)</b>
<b>Loss for the period transferred to accumulated losses</b>		<b>(1,042,354)</b>	<b>(1,128,076)</b>
<b>Basic and diluted loss per share</b>	10	<b>(0.005)</b>	<b>(0.008)</b>

These condensed interim financial statements were approved by the Board of Directors on 4 May 2017 and signed on its behalf by:



Abdulla Hasan Buhindi  
Chairman



Jihad Yusuf Amin  
Vice Chairman

## Condensed interim statement of changes in equity

	Share capital	Preference shares	Capital adjustment account	Statutory reserve	General reserve	Accumulated losses	Total
	BD	BD	BD	BD	BD	BD	BD
At 1 January 2016	15,000,000	5,515,500	-	65,681	-	(1,153,766)	19,427,415
Loss for the period	-	-	-	-	-	(1,128,076)	(1,128,076)
Transfer to general reserve	-	-	-	-	2,337	(2,337)	-
<b>At 31 March 2016 – Unaudited</b>	<b>15,000,000</b>	<b>5,515,500</b>	<b>-</b>	<b>65,681</b>	<b>2,337</b>	<b>(2,284,179)</b>	<b>18,299,339</b>
At 1 January 2017	22,950,150	-	(2,434,650)	65,681	38,460	(6,269,577)	14,350,064
Loss for the period	-	-	-	-	-	(1,042,354)	(1,042,354)
Transfer to general reserve	-	-	-	-	14,122	(14,122)	-
<b>At 31 March 2017 – Unaudited</b>	<b>22,950,150</b>	<b>-</b>	<b>(2,434,650)</b>	<b>65,681</b>	<b>52,582</b>	<b>(7,326,053)</b>	<b>13,307,710</b>

The accounting policies and the notes from pages 7 to 14 form an integral part of these condensed interim financial statements.

## Condensed interim statement of cash flows

	Unaudited Period from 1 January 2017 to 31 March 2017	Unaudited Period from 1 January 2016 to 31 March 2016
	BD	BD
<b>Operating activities</b>		
Loss for the period	(1,042,354)	(1,128,076)
Adjustments for:		
Depreciation	551,870	120,907
Provision for employees' terminal benefits	10,597	10,580
Finance costs	278,653	70,057
Operating loss before working capital changes	(201,234)	(926,532)
Changes in operating assets and liabilities:		
Change in inventories	77,180	(197,455)
Change in trade and other receivables	24,168	32,867
Change in trade and other payables	(114,309)	(159,068)
Change in retention payables	(1,183,822)	(65,226)
Payment of employees' terminal benefits	(9,370)	(4,802)
Net cash used in operating activities	<b>(1,407,387)</b>	<b>(1,320,216)</b>
<b>Investing activities</b>		
Additions to capital work in progress	-	(630,272)
Net cash used in investing activities	-	<b>(630,272)</b>
<b>Financing activities</b>		
Proceeds from term loan	1,051,495	3,028,769
Proceeds from amount due to related party	732,082	180,105
Finance costs paid	(278,653)	(70,057)
Net cash generated from financing activities	<b>1,504,924</b>	<b>3,138,817</b>
<b>Net change in cash and cash equivalents</b>	97,537	1,188,329
Cash and cash equivalents, beginning of the period	497,662	98,326
<b>Cash and cash equivalents, end of the period</b>	<b>595,199</b>	<b>1,286,655</b>
Comprises:		
Cash in hand	5,350	7,605
Bank balances	589,849	1,279,050
	<b>595,199</b>	<b>1,286,655</b>

The accounting policies and the notes from pages 7 to 14 form an integral part of these condensed interim financial statements.



# Notes to the condensed interim financial statements

## 31 March 2017

### 1. Organisation and activities

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

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

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

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

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The Company’s condensed interim financial statements have been prepared on the basis of historical cost convention. The Company’s condensed interim financial statements are presented in Bahrain Dinars which is the functional currency of the Company.

#### 2.2 Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2016.

#### 2.3 Accounting policies

The same accounting policies, presentation and methods of computation have been followed in these condensed interim financial statements as were applied in the preparation of the Company’s financial statements for the year ended 31 December 2016.

## 2.4 Estimates

When preparing the condensed interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by the management, and will seldom equal the estimated results.

The judgements estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended 31 December 2016. The only exception is the change in the useful lives of property, plant and equipment. The estimated useful lives of property, plant and equipment for the depreciation purpose are as follows:

	<b>Current</b>	<b>Previous</b>
Building	40 years	40 years
Furniture and fixtures	5-8 years	5 years
Computers and office equipment	5 years	5 years
Machinery and equipment	5-15 years	2-8 years
Motor vehicles	5 years	5 years

## 3. Property, plant and equipment

	Freehold land	Building	Furniture and fixtures	Computer and office equipment	Motor vehicles	Machinery and equipment	2017 Total	2016 Total
	BD	BD	BD	BD	BD	BD	BD	BD
<b>Costs</b>								
At 1 January	3,048,313	36,215,576	2,717,281	247,905	26,525	1,650,226	43,905,826	3,088,194
Additions	-	-	-	-	-	-	-	404,705
Transfers	-	(7,169,774)	5,609,916	-	-	1,559,858	-	40,412,927
At 31 March / 31 December	<b>3,048,313</b>	<b>29,045,802</b>	<b>8,327,197</b>	<b>247,905</b>	<b>26,525</b>	<b>3,210,084</b>	<b>43,905,826</b>	<b>43,905,826</b>
<b>Accumulated depreciation</b>								
At 1 January	-	757,425	436,199	46,426	10,560	388,081	1,638,691	16,215
Charge for the period/year	-	185,353	254,747	11,657	1,088	99,025	551,870	1,622,476
Transfers	-	(156,574)	117,578	-	-	38,996	-	-
At 31 March/31 December	<b>-</b>	<b>786,204</b>	<b>808,524</b>	<b>58,083</b>	<b>11,648</b>	<b>526,102</b>	<b>2,190,561</b>	<b>1,638,691</b>
<b>Net book value</b>								
At 31 March 2017	<b>3,048,313</b>	<b>28,259,598</b>	<b>7,518,673</b>	<b>189,822</b>	<b>14,877</b>	<b>2,683,982</b>	<b>41,715,265</b>	<b>-</b>
At 31 December 2016	<b>3,048,313</b>	<b>35,458,151</b>	<b>2,281,082</b>	<b>201,479</b>	<b>15,965</b>	<b>1,262,145</b>	<b>-</b>	<b>42,267,135</b>

During the year, the Company has obtained a professional valuation of the freehold land and building from the independent property valuer, the fair value of which is BD41,903,535.

Freehold land and building are mortgaged against the term loan obtained by the Company (Note 4).

## 4. Term loan

	<b>31 March 2017</b>	<b>31 December 2016</b>
	BD	BD
HSBC Bank Middle East Limited	22,717,382	21,665,887
Less: Current portion	<u>(1,795,255)</u>	<u>(1,636,132)</u>
Non - current portion	<u><b>20,922,127</b></u>	<u><b>20,029,755</b></u>

This represents term loan of up to BD25,000,000 obtained from HSBC Bank Middle East Limited to finance the settlement of the Murabaha facility, fund the Project and its pre-operating expenses until the soft opening of the Hotel, and fund the retention payable to the Project'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 is falling due on 31 March 2023. The loan is secured against the freehold land and building bearing title deed number 146959 (Note 3) and guarantee of BMMI B.S.C. in the amount of BD25,750,000.

The Company entered into an assignment of receivables agreement with HSBC Bank Middle East Limited on 8 July 2015 whereby the Company irrevocably and unconditionally assigns to the Bank, all monies due and to become due to the Company from its operations until the full amount of loan including the 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 condensed interim statement of financial position.

## 5. Amount due to related party

	<b>31 March 2017</b>	<b>31 December 2016</b>
	BD	BD
BMMI B.S.C.	4,430,555	3,698,473
Less: Current portion	<u>-</u>	<u>-</u>
Non - current portion	<u><b>4,430,555</b></u>	<u><b>3,698,473</b></u>

The amount due to related party includes loan of BD3,830,555 (2016: BD3,098,473) obtained from BMMI B.S.C. to finance the completion of construction work of the Building. The loan from BMMI B.S.C. bears interest of 2.45% over BHIBOR and is repayable within a maximum period of 60 months. In the event of default, the Company will carry out a Rights Issuing allowing the conversion of the remaining unpaid instalments into preference shares with the process expected to result in the final allotment by 2020.

During the year, the Company obtained additional loan of BD693,819.

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

## 6. Operating revenue

	Period from 1 January 2017 to 31 March 2017	Period from 1 January 2016 to 31 March 2016
	BD	BD
Rooms	483,998	81,190
Food and beverages	196,023	33,022
Other operating departments	26,076	2,654
	<b>706,097</b>	<b>116,866</b>

## 7. Cost of operations

	Period from 1 January 2017 to 31 March 2017	Period from 1 January 2016 to 31 March 2016
	BD	BD
Food and beverages	68,975	20,556
Other overhead expenses	66,622	32,990
Direct labour	228,996	75,474
Consumables	73,833	39,502
	<b>438,426</b>	<b>168,522</b>

## 8. General and administrative expenses

	Period from 1 January 2017 to 31 March 2017	Period from 1 January 2016 to 31 March 2016
	BD	BD
Commission	41,141	3,440
IT Costs	21,900	4,609
Advertisement expenses	19,105	3,633
Complimentary food, beverage and gifts	17,617	2,374
Management fees	14,122	2,337
Legal and professional fees	12,388	2,550
Entertainment expenses	5,962	2,338
Other expenses	53,150	10,254
	<b>185,385</b>	<b>31,535</b>

## 9. Pre-opening expenses

	Period from 1 January 2017 to 31 March 2017 BD	Period from 1 January 2016 to 31 March 2016 BD
Staff costs	-	441,702
Consumables	-	79,659
Advertisement	-	64,645
Professional fees	-	43,561
Utilities expenses	-	29,955
Printing and stationery	-	17,063
Cleaning expenses	-	11,386
Courier charges, clearing and customs duty	-	5,421
Insurance	-	5,109
Miscellaneous expenses	-	3,695
	<u>-</u>	<u>702,196</u>

## 10. Loss per share

	Period from 1 January 2017 to 31 March 2017 BD	Period from 1 January 2016 to 31 March 2016 BD
<b>Numerator</b>		
Net loss for the period used in basic and diluted EPS	(1,042,354)	(1,128,076)
<b>Denominator</b>		
Weighted average number of ordinary shares issued in basic EPS	229,501,500	150,000,000
<b>Effects of:</b>		
Convertible preference shares issued	-	-
Weighted average number of shares used in diluted EPS	<u>229,501,500</u>	<u>150,000,000</u>
<b>Basic and diluted loss per share</b>	<u>(0.005)</u>	<u>(0.008)</u>

## 11. 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.

## 12. Seasonal fluctuations

The demand for hotel is subject to seasonal fluctuations. Historically, peak demand is in the second half of each year.

## 13. Related party transactions

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

The following amount arises out of the transactions with related parties of the Companies are reflected in the condensed interim financial statements;

Name of the related party	Nature of transactions	2017	2016
		BD	BD
Board of Directors	Sitting fee	9,600	9,200
BMMI B.S.C.	Purchases	9,316	47,697
BMMI B.S.C.	Loan from related party	693,819	-
BMMI B.S.C.	Interest on loan from related party	38,262	-

The total salaries to members of key management in 2017 (including salaries and benefits) were BD18,000 (2016: BD10,950).

## 14. Commitments

The minimum lease commitments under non-cancellable operating leases are as follows:

	31 March	31 December
	2017	2016
	BD	BD
Within one year	158,400	158,400
More than one year but within five years	76,000	116,800
	<b>234,400</b>	<b>275,200</b>

## 15. Post-reporting date events

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

## 16. Contingent item

The Company has filed a claim on 16 March 2017 in Bahrain Chamber for Dispute Resolution against a banker for an amount of BD1,731,455. This relates to the letter of guarantee issued by the bank for the contractor on the construction of the building. In the opinion of the lawyer, the probability of success is quite high and he is hopeful that the Company will be able to receive the claim amount. However, the same depends on the progress of the case, the documents submitted and defence raised in the court.

## 17. Comparative figures

The condensed interim statements of comprehensive income, changes in equity and the cash flows for the period ended 31 March 2017 are not comparable with the prior period figures which includes one month operations of the hotel. However, comparative figures for the previous period have been reclassified/re-arranged wherever necessary to conform with the presentation in the current period's condensed interim financial statements.