



Grant Thornton
Abdulaal

Condensed interim financial statements and review report

Banader Hotels Company B.S.C.

For the period from 1 January 2018 to 30 September 2018

Contents

	Page
General information	1
Review report	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial statements	7-13

General information

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

Review report

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Banader Hotels Company B.S.C.** (the “**Company**”) as at 30 September 2018 and the condensed interim statements of comprehensive income, changes in equity and cash flows for the period from 1 January 2018 to 30 September 2018, 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 30 September 2018, and its financial performance and its cash flows for the nine month period then ended in accordance with IAS 34 Interim Financial Reporting.

Grant Thornton

13 November 2018
Manama, Kingdom of Bahrain


Condensed interim statement of financial position

	Notes	Unaudited 30 September 2018 BD	Audited 31 December 2017 BD
Assets			
Non-current asset			
Property, plant and equipment	3	39,101,844	40,630,847
Current assets			
Inventories		64,094	61,514
Trade and other receivables		329,378	400,458
Cash and cash equivalents		817,544	225,000
		1,211,016	686,972
Total assets		40,312,860	41,317,819
Equity and liabilities			
Equity			
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		159,285	99,132
Accumulated losses		(12,862,823)	(9,939,107)
		7,877,643	10,741,206
Liabilities			
Non-current liabilities			
Term loan	4	17,844,895	19,082,611
Amount due to related party	5	10,562,637	7,001,254
Employees' terminal benefits		80,277	60,867
		28,487,809	26,144,732
Current liabilities			
Trade and other payables		542,631	558,194
Current portion of term loan	4	2,229,406	2,273,731
Retention payables		1,175,371	1,599,956
		3,947,408	4,431,881
Total liabilities		32,435,217	30,576,613
Total equity and liabilities		40,312,860	41,317,819

These condensed interim financial statements were approved by the Board of Directors on 13 November 2018 and signed on its behalf by:



Abdulla Hasan Abdulla Buhindi
Chairman




Jehad Yusuf Abdulla Amin
Vice Chairman


The accounting policies and the notes from pages 7 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of comprehensive income

	Notes	Unaudited Period from 1 July 2018 to 30 September 2018 BD	Unaudited Period from 1 July 2017 to 30 September 2017 BD	Unaudited Period from 1 January 2018 to 30 September 2018 BD	Unaudited Period from 1 January 2017 to 30 September 2017 BD
Operating revenue	6	661,359	698,873	2,148,421	2,296,507
Cost of operations	7	(353,370)	(378,354)	(1,017,226)	(1,200,458)
Gross profit		307,989	320,519	1,131,195	1,096,049
Other income	15	-	-	118,751	-
		307,989	320,519	1,249,946	1,096,049
Expenses					
Staff costs		(202,135)	(210,373)	(655,140)	(651,621)
General and administrative expenses	8	(180,108)	(181,362)	(548,078)	(580,748)
Corporate expenses		(34,085)	(63,776)	(146,732)	(192,337)
Loss on disposal of property, plant and equipment		-	-	(135,780)	-
Depreciation	3	(476,150)	(472,715)	(1,411,174)	(1,490,944)
Finance costs		(450,346)	(307,699)	(1,216,605)	(888,832)
		(1,342,824)	(1,235,925)	(4,113,509)	(3,804,482)
Loss for the period transferred to accumulated losses		(1,034,835)	(915,406)	(2,863,563)	(2,708,433)
Basic and diluted loss per share	9	(0.005)	(0.004)	(0.012)	(0.012)

These condensed interim financial statements were approved by the Board of Directors on 13 November 2018 and signed on its behalf by:


 Abdulla Hasan Abdulla Buhindi
 Chairman


 Jehad Yusuf Abdulla Amin
 Vice Chairman

Condensed interim statement of changes in equity

	Share capital	Capital adjustment account	Statutory reserve	General reserve	Accumulated losses	Total
	BD	BD	BD	BD	BD	BD
At 1 January 2017	22,950,150	(2,434,650)	65,681	38,460	(6,269,577)	14,350,064
Loss for the period	-	-	-	-	(2,708,433)	(2,708,433)
Transfer to general reserve	-	-	-	45,930	(45,930)	-
At 30 September 2017 – Unaudited	22,950,150	(2,434,650)	65,681	84,390	(9,023,940)	11,641,631
At 1 January 2018	22,950,150	(2,434,650)	65,681	99,132	(9,939,107)	10,741,206
Loss for the period	-	-	-	-	(2,863,563)	(2,863,563)
Transfer to general reserve	-	-	-	60,153	(60,153)	-
At 30 September 2018 – Unaudited	22,950,150	(2,434,650)	65,681	159,285	(12,862,823)	7,877,643

The accounting policies and the notes from pages 7 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of cash flows

	Unaudited Period from 1 January 2018 to 30 September 2018	Unaudited Period from 1 January 2017 to 30 September 2017
	BD	BD
Operating activities		
Loss for the period	(2,863,563)	(2,708,433)
Adjustments for:		
Depreciation	1,411,174	1,490,944
Loss on disposal of property, plant and equipment	135,780	-
Provision for bad debts	1,050	-
Provision for employees' terminal benefits	26,692	30,061
Finance costs	1,216,605	888,832
Operating loss before working capital changes	(72,262)	(298,596)
Changes in operating assets and liabilities:		
Change in inventories	(2,580)	83,214
Change in trade and other receivables	70,030	(28,846)
Change in trade and other payables	(15,563)	67,802
Change in retention payables	(424,585)	(1,175,231)
Payment of employees' terminal benefits	(7,282)	(37,164)
Net cash used in operating activities	(452,242)	(1,388,821)
Investing activities		
Purchase of property, plant and equipment	(29,451)	(259,802)
Proceeds from disposal of property, plant and equipment	11,500	-
Net cash used in investing activities	(17,951)	(259,802)
Financing activities		
Proceeds from term loan	1,296,075	1,928,495
Repayments of term loan	(2,578,116)	(1,651,147)
Proceed from related party	3,561,383	2,410,884
Finance costs paid	(1,216,605)	(888,832)
Net cash generated from financing activities	1,062,737	1,799,400
Net change in cash and cash equivalents	592,544	150,777
Cash and cash equivalents, beginning of the period	225,000	497,662
Cash and cash equivalents, end of the period	817,544	648,439
Comprises:		
Cash in hand	5,202	9,061
Bank balances	812,342	639,378
	817,544	648,439

The accounting policies and the notes from pages 7 to 13 form an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

30 September 2018

1. Organisation and activities

Banader Hotels Company B.S.C. (the “Company”) is a public joint stock company registered in the Kingdom of Bahrain with the Ministry of Industry, Commerce and Tourism under commercial registration number 59045-1 dated 20 December 2005. The Company owns the Downtown Rotana Hotel which is managed by Rotana Hotel Management Corporation Limited LLC under a 10 years 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 2017.

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 2017.

Certain new standards have been issued and relevant to the Company but have no material effect on the Company's financial position and its results of operations.

- IFRS 9, "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018); and
- IFRS 15, "Revenue from Contracts with Customers" (effective from annual periods beginning on or after 1 January 2018).

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 annual financial statements for the year ended 31 December 2017.

3. Property, plant and equipment

	Freehold land	Building	Furniture and fixtures	Computer and office equipment	Motor vehicles	Machinery and equipment	2018 Total	2017 Total
	BD	BD	BD	BD	BD	BD	BD	BD
Cost								
At 1 January	3,048,313	29,344,572	8,327,197	278,535	26,525	3,210,084	44,235,226	43,905,826
Additions	-	1,009	22,293	1,507	-	4,642	29,451	329,400
Disposals	-	(156,356)	-	-	-	-	(156,356)	-
At 30 September/ 31 December	3,048,313	29,189,225	8,349,490	280,042	26,525	3,214,726	44,108,321	44,235,226
Accumulated depreciation								
At 1 January	-	1,335,168	1,414,017	96,252	14,910	744,032	3,604,379	1,638,691
Charge for the period/year	-	548,709	603,893	39,574	3,253	215,745	1,411,174	1,965,688
Disposals	-	(9,076)	-	-	-	-	(9,076)	-
At 30 September/31 December	-	1,874,801	2,017,910	135,826	18,163	959,777	5,006,477	3,604,379
Net book value								
At 30 September 2018	3,048,313	27,314,424	6,331,580	144,216	8,362	2,254,949	39,101,844	-
At 31 December 2017	3,048,313	28,009,404	6,913,180	182,283	11,615	2,466,052	-	40,630,847

During the year 2017, the Company obtained a professional valuation of the freehold land and building (including fixtures) from an independent property valuer estimating a fair value of BD41,903,535.

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

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

4. Term loan

	30 September 2018	31 December 2017
	BD	BD
HSBC Bank Middle East Limited	20,074,301	21,356,342
Less: Current portion	<u>(2,229,406)</u>	<u>(2,273,731)</u>
Non - current portion	<u>17,844,895</u>	<u>19,082,611</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 3) and guarantee of BMMI B.S.C. in the amount of BD25,750,000.

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

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

5. Amount due to related party

	30 September 2018	31 December 2017
	BD	BD
BMMI B.S.C.	<u>10,562,637</u>	<u>7,001,254</u>

The amount due to related party includes loan of BD9,962,637 (2017: BD6,401,254) obtained from BMMI B.S.C. to finance the completion of construction work of the Hotel and working capital requirements. The loan from BMMI B.S.C. bears interest of 2.45% plus BHIBOR and is repayable within a maximum period of 60 months. In the event of default, the Company will carry out a Rights Issuing allowing the conversion of the remaining unpaid instalments into preference shares with the process expected to result in the final allotment by 2020.

During the period, the Company obtained additional loan proceeds of BD3,240,179.

The amount due to related party is repayable more than twelve months from the financial position date.

6. Operating revenue

	Period from 1 July 2018 to 30 September 2018 BD	Period from 1 July 2017 to 30 September 2017 BD	Period from 1 January 2018 to 30 September 2018 BD	Period from 1 January 2017 to 30 September 2017 BD
Rooms	465,024	491,897	1,491,496	1,595,355
Food and beverages	156,448	165,489	537,477	598,120
Other operating departments	39,887	41,487	119,448	103,032
	661,359	698,873	2,148,421	2,296,507

7. Cost of operations

	Period from 1 July 2018 to 30 September 2018 BD	Period from 1 July 2017 to 30 September 2017 BD	Period from 1 January 2018 to 30 September 2018 BD	Period from 1 January 2017 to 30 September 2017 BD
Food and beverages	51,066	57,564	177,004	205,901
Other overhead expenses	108,912	113,408	264,179	265,448
Direct labour	193,392	207,382	576,043	655,276
Consumables	-	-	-	73,833
	353,370	378,354	1,017,226	1,200,458

8. General and administrative expenses

	Period from 1 July 2018 to 30 September 2018 BD	Period from 1 July 2017 to 30 September 2017 BD	Period from 1 January 2018 to 30 September 2018 BD	Period from 1 January 2017 to 30 September 2017 BD
Commission	37,798	47,634	115,573	145,133
IT costs	22,109	19,898	61,111	57,242
Contract services	21,658	12,020	55,436	40,357
Management fees	13,227	13,977	42,968	45,930
Complimentary food, beverage and gifts	12,809	14,383	35,614	46,471
Legal and professional fees	9,345	9,302	27,816	32,582
Advertisement expenses	9,026	10,468	33,911	36,356
Printing and stationery	8,623	8,919	27,543	31,530
Selling expenses	6,635	8,075	15,394	15,453
Entertainment expenses	4,355	2,090	14,789	14,806
Reservation	3,600	5,333	10,900	14,933
Loyalty programs and affiliation fees	3,073	11,404	21,371	31,425
Travelling expenses	2,537	293	6,440	4,171
Cleaning expenses	2,264	3,239	9,085	10,306
Other expenses	23,049	14,327	70,127	54,053
	180,108	181,362	548,078	580,748

9. Loss per share

	Period from 1 July 2018 to 30 September 2018 BD	Period from 1 July 2017 to 30 September 2017 BD	Period from 1 January 2018 to 30 September 2018 BD	Period from 1 January 2017 to 30 September 2017 BD
Numerator				
Net loss for the period used in basic and diluted EPS	(1,034,835)	(915,406)	(2,863,563)	(2,708,433)
Denominator				
Weighted average number of ordinary shares issued in basic and diluted EPS	229,501,500	229,501,500	229,501,500	229,501,500
Basic and diluted loss per share	(0.005)	(0.004)	(0.012)	(0.012)

10. 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.

11. Seasonal fluctuations

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

12. 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 are the related parties transactions;

Name of the related party	Relationship	Nature of transactions	30 September 2018 BD	30 September 2017 BD
BMMI B.S.C.	Parent company	Purchases	14,372	22,484
BMMI B.S.C.	Parent company	Interest on loan from related party	321,205	141,461
BMMI B.S.C.	Parent company	Rent expense	800	7,200
BMMI B.S.C.	Parent company	Operating revenue	26,081	19,246

The total salaries to members of key management in 2018 (including salaries and benefits) was BD59,412 (2017: BD56,700). The total sitting fees to Board of Directors in 2018 was BD12,300 (2017: BD15,900).

13. Commitments

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

	30 September 2018 BD	31 December 2017 BD
Within one year	141,840	115,600
More than one year but within five years	273,280	-
	415,120	115,600

14. Post-reporting date events

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

15. Contingent item

The Company has filed a claim on 16 March 2017 in Bahrain Chamber for Dispute Resolution against a banker for an amount of BD1,731,455. This relates to the letter of guarantee issued by the bank for the contractor on the construction of the building. The Court appointed an expert and his report states that the client is entitled to the amount of BD121,484. The verdict was issued on 15 January 2018 obliging the counterpart to pay the amount of BD121,484 plus 2% interest from the date the claim was filed, BD3,500 expert fees and BD100 lawyer fees. All the parties in the case appealed against the judgement before the Cassation court. The court is yet to schedule hearing of the case. The Company has also opened a file in the Court of Execution to receive the judged amount and has collected BD118,751.

16. Comparative figures

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.