

**Banader Hotels Company B.S.C.**

Condensed interim financial information  
for the quarter and nine months ended  
30 September 2019 (Unaudited)

**Banader Hotels Company B.S.C.**  
**Condensed interim financial information for the quarter and nine months ended**  
**30 September 2019**  
**(Unaudited)**

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**Banader Hotels Company B.S.C.**  
**Administration and contact details as at 30 September 2019**

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

## **Review report on the condensed interim financial information to the Board of Directors 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 2019, the condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in shareholders' equity, the condensed interim statement of cash flows for the quarter and nine months period then ended, and selected explanatory notes. The Company's Board of Directors is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34-*"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this condensed 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 condensed 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 condensed interim financial information does not present fairly, in all material respects, the financial position of the Company as at 30 September 2019, and of its financial performance and its cash flows for the quarter and nine months period then ended in accordance with International Accounting Standard 34 - *"Interim Financial Reporting"*.

### **Other matters**

The interim financial statements of the Company for the quarter and nine months period ended 30 September 2018 were reviewed by another auditor who expressed an unqualified review report on those statements in their report dated 13 November 2018. The annual audit for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified audit report on those statements in their report dated 25 February 2019.



Manama, Kingdom of Bahrain  
28 October 2019



**Banader Hotels Company B.S.C.**  
**Condensed interim statement of financial position as at 30 September 2019**  
**(Unaudited)**  
**(Expressed in Bahrain Dinars)**

	Notes	30 September 2019 (Unaudited)	31 December 2018 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	37,233,325	38,630,710
Right-of-use assets	5	<u>254,561</u>	<u>-</u>
		<u>37,487,886</u>	<u>38,630,710</u>
<b>Current assets</b>			
Inventories		56,755	60,428
Trade and other receivables		426,418	439,923
Cash and cash equivalents		<u>196,758</u>	<u>723,114</u>
		<u>679,931</u>	<u>1,223,465</u>
<b>Total assets</b>		<u>38,167,817</u>	<u>39,854,175</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	6	22,950,150	22,950,150
Capital adjustment account	6	(2,434,650)	(2,434,650)
Statutory reserve		65,681	65,681
General reserve		253,501	184,318
Accumulated losses		<u>(16,356,181)</u>	<u>(13,697,987)</u>
<b>Total equity</b>		<u>4,478,501</u>	<u>7,067,512</u>
<b>Non-current liabilities</b>			
Non-current portion of term loan	7	15,463,229	17,290,378
Non-current portion of lease liability	8	132,004	-
Amount due to a related party	9	13,861,274	11,502,997
Employees' terminal benefits		<u>93,765</u>	<u>86,524</u>
		<u>29,550,272</u>	<u>28,879,899</u>
<b>Current liabilities</b>			
Trade and other payables		476,402	495,493
Current portion of term loan	7	2,359,979	2,235,900
Current portion of lease liability	8	127,439	-
Retention payables		1,174,121	1,175,371
Bank overdrafts		<u>1,103</u>	<u>-</u>
		<u>4,139,044</u>	<u>3,906,764</u>
<b>Total equity and liabilities</b>		<u>38,167,817</u>	<u>39,854,175</u>

The unaudited condensed financial information, set out on pages 4 to 18, were approved for issue by the Board of Directors on 28 October 2019 and signed on their behalf by:



Abdulla Hasan Abdulla Buhindi  
Chairman



Mohamed Farooq Yusuf Al-Moayyed  
Vice Chairman

**Banader Hotels Company B.S.C.**  
**Condensed interim statement of profit or loss and other comprehensive income for the quarter and nine months ended 30 September 2019**  
**(Unaudited)**  
**(Expressed in Bahrain Dinars)**

	Notes	Nine months ended 30 September 2019 (Unaudited)	Nine months ended 30 September 2018 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2018 (Unaudited)
Operating income	10	2,306,116	2,148,421	713,547	661,359
Operating costs	11	(992,076)	(1,052,840)	(342,784)	(366,179)
<b>Operating profit for the period</b>		<b>1,314,040</b>	<b>1,095,581</b>	<b>370,763</b>	<b>295,180</b>
Other income		-	118,751	-	-
		<b>1,314,040</b>	<b>1,214,332</b>	<b>370,763</b>	<b>295,180</b>
<b>Non-operating expenses</b>					
General and administrative expenses	12	(1,206,293)	(1,450,116)	(385,252)	(403,519)
Depreciation of property, plant and equipment	4	(1,410,040)	(1,411,173)	(475,258)	(476,150)
Finance costs		(1,286,718)	(1,216,606)	(428,038)	(450,346)
		<b>(3,903,051)</b>	<b>(4,077,895)</b>	<b>(1,288,548)</b>	<b>(1,330,015)</b>
<b>Net loss and other comprehensive loss for the period</b>		<b>(2,589,011)</b>	<b>(2,863,563)</b>	<b>(917,785)</b>	<b>(1,034,835)</b>
Basic and diluted loss per share	13	(0.011)	(0.012)	(0.004)	(0.005)

The unaudited condensed financial information, set out on pages 4 to 18, were approved for issue by the Board of Directors on 28 October 2019 and signed on their behalf by:



**Abdulla Hasan Abduh Buhindi**  
**Chairman**



**Mohamed Farooq Yusuf Al-Moayyed**  
**Vice Chairman**

**Banader Hotels Company B.S.C.**  
**Condensed interim statement of changes in shareholders' equity for the nine months ended 30 September 2019**  
**(Unaudited)**  
**(Expressed in Bahrain Dinars)**

	Share capital	Capital adjustment account	Statutory reserve	General reserve	Accumulated losses	Total
At 31 December 2017 (audited)	22,950,150	(2,434,650)	65,681	99,132	(9,939,107)	10,741,206
Net loss and other comprehensive 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
At 31 December 2018 (audited)	22,950,150	(2,434,650)	65,681	184,318	(13,697,987)	7,067,512
Net loss and other comprehensive loss for the period	-	-	-	-	(2,589,011)	(2,589,011)
Transfer to general reserve	-	-	-	69,183	(69,183)	-
At 30 September 2019 (unaudited)	22,950,150	(2,434,650)	65,681	253,501	(16,356,181)	4,478,501

Banader Hotels Company B.S.C.  
Condensed interim statement of cash flows for the nine months ended 30 September 2019  
(Unaudited)  
(Expressed in Bahrain Dinars)

	Notes	Nine months ended 30 September 2019 (Unaudited)	Nine months ended 30 September 2018 (Unaudited)
<b>Operating activities</b>			
Net loss for the period		(2,589,011)	(2,863,563)
Adjustments for:			
Depreciation on property plant and equipment	4	1,410,040	1,411,174
Loss on disposal of property plant and equipment		-	135,780
Finance costs		1,286,718	1,216,605
Amortisation of right-of-use asset	5	99,246	-
Interest expense on lease liability	8	12,016	-
Provision for doubtful debts		-	1,050
Changes in operating assets and liabilities:			
Inventories		3,673	(2,580)
Trade and other receivables		13,505	70,030
Trade and other payables		(19,091)	(15,563)
Retention payables		(1,250)	(424,585)
Employees' terminal benefits, net		<u>7,241</u>	<u>19,410</u>
Net cash provided by/(used in) operating activities		<u>223,087</u>	<u>(452,242)</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	4	(12,655)	(29,451)
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>11,500</u>
Net cash used in investing activities		<u>(12,655)</u>	<u>(17,951)</u>
<b>Financing activities</b>			
Principal elements of lease payments	8	(106,380)	-
Net movement in term loan		(1,703,070)	(1,282,041)
Net movement in amounts due to related party		2,358,277	3,561,383
Finance costs paid		<u>(1,286,718)</u>	<u>(1,216,605)</u>
Net cash (used in)/provided by financing activities		<u>(737,891)</u>	<u>1,062,737</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(527,459)</b>	<b>592,544</b>
Cash and cash equivalents, beginning of the period		<u>723,114</u>	<u>225,000</u>
Cash and cash equivalents, end of the period		<u><u>195,655</u></u>	<u><u>817,544</u></u>
Comprising:			
Cash and cash equivalents		196,758	817,544
Bank overdrafts		<u>(1,103)</u>	<u>-</u>
		<u><u>195,655</u></u>	<u><u>817,544</u></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 which is managed by Rotana Hotel Management Corporation Limited LLC under a 10 year agreement beginning from the actual date of takeover of the management and renewable for three additional terms of ten years.

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

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

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

## **2 Basis of preparation**

The condensed interim financial information has been presented in accordance with International Accounting Standard 34 - "Interim Financial Reporting". The condensed interim financial information should therefore be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2018. The financial information has been presented in Bahraini Dinar (BD) which is also the functional currency of the Company.

The condensed interim financial information have been prepared using going concern assumption under the historical cost convention.

### **Going Concern**

The Company's current liabilities exceed the current assets by BD3,459,113. Further, as at the date of the statement of financial position the Company had accumulated losses 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 condensed interim financial information have been prepared on the going concern basis as the shareholders have 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.

### **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 issued and effective and adopted in 2019**

The following new standard, amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2019 and has been adopted in the preparation of these condensed interim financial information:

## 2 Basis of preparation (continued)

### *Standards, amendments and interpretations issued and effective and adopted in 2019 (continued)*

Standard or Interpretation	Title	Effective for annual periods beginning on or after
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 condensed interim 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 balance sheet 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:

	Operating lease <u>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><u>353,807</u></u>

## 2 Basis of preparation (continued)

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

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2019 or subsequent periods, but is not relevant to the Company's operations:

<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 period ended 30 September 2019. They have not been adopted in preparing the financial statements for the period ended 30 September 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>
IFRS 17	Insurance contracts	1 January 2021

There would have been no change in the operational results of the Company for the period ended 30 September 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 and critical accounting judgments, estimates and assumptions

The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the annual audited financial statements of the Company prepared as at, and for the year ended 31 December 2018, as described in those annual audited financial statements except for the change arising due to adoption of IFRS 16.

### ***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.

**3 Significant accounting policies and critical accounting judgments, estimates and assumptions (continued)**

***Right-of-use assets (continued)***

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.

**Banader Hotels Company B.S.C.**  
**Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2019**  
**(Unaudited)**  
**(Expressed in Bahrain Dinars)**

<b>4</b>	<b>Property, plant and equipment</b>	<b>Freehold land</b>	<b>Buildings on freehold land</b>	<b>Furniture and fixtures</b>	<b>Computer and office equipment</b>	<b>Motor vehicles</b>	<b>Machinery and equipment</b>	<b>Total</b>
	<b>Cost</b>							
	At 31 December 2017 (Audited)	3,048,313	29,344,572	8,327,197	278,535	26,525	3,210,084	44,235,226
	Additions during the year	-	1,009	23,233	4,357	-	4,642	33,241
	Disposals during the year	-	(156,356)	-	-	-	-	(156,356)
	At 31 December 2018 (Audited)	3,048,313	29,189,225	8,350,430	282,892	26,525	3,214,726	44,112,111
	Additions during the period	-	-	7,290	5,365	-	-	12,655
	At 30 September 2019 (Unaudited)	<u>3,048,313</u>	<u>29,189,225</u>	<u>8,357,720</u>	<u>288,257</u>	<u>26,525</u>	<u>3,214,726</u>	<u>44,124,766</u>
	<b>Accumulated depreciation</b>							
	At 31 December 2017 (Audited)	-	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 (Audited)	-	2,060,042	2,219,466	149,011	19,260	1,033,622	5,481,401
	Charge for the period	-	545,798	603,159	40,797	3,254	217,032	1,410,040
	At 30 September 2019 (Unaudited)	<u>-</u>	<u>2,605,840</u>	<u>2,822,625</u>	<u>189,808</u>	<u>22,514</u>	<u>1,250,654</u>	<u>6,891,441</u>
	<b>Net book value</b>							
	At 30 September 2019 (Unaudited)	<u>3,048,313</u>	<u>26,583,385</u>	<u>5,535,095</u>	<u>98,449</u>	<u>4,011</u>	<u>1,964,072</u>	<u>37,233,325</u>
	At 31 December 2018 (Audited)	<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 7). Building includes accumulated borrowing costs of BD1,884,269 directly attributable to the construction of the building.

**Banader Hotels Company B.S.C.**

**Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2019**

**(Unaudited)**

**(Expressed in Bahrain Dinars)**

**4 Property, plant and equipment (continued)**

Depreciation of property, plant and equipment during the nine-month period ended 30 September 2018 amounted to BD1,411,174. There were no additions or disposals of property, plant and equipment during the nine-month period ended 30 September 2018.

**5 Right-of-use assets**

	30 September 2019 (Unaudited)
On adoption of IFRS 16 as at 1 January 2019 (Note 2)	353,807
Amortisation charge for the period	<u>(99,246)</u>
Balance at 30 September 2019	<u>254,561</u>

**6 Share capital**

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
<b>Authorised share capital</b>		
300,000,000 (2018: 300,000,000)		
Ordinary shares of 100 fils each	<u>30,000,000</u>	<u>30,000,000</u>
<b>Issued and fully paid-up</b>		
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.

The shareholders of the Company approved to increase the total number of the irredeemable preference shares to 64,500 in their Extra Ordinary 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.

**Banader Hotels Company B.S.C.**

**Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2019**

**(Unaudited)**

**(Expressed in Bahrain Dinars)**

**6 Share capital (continued)**

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".

**7 Term loan**

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
HSBC Bank Middle East Limited	17,823,208	19,526,278
Less: current portion of term loan	<u>(2,359,979)</u>	<u>(2,235,900)</u>
Non-current portion of term loan	<u>15,463,229</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 4) 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.

**8 Lease liability**

	30 September 2019 (Unaudited)
Lease liabilities on adoption of IFRS 16 (Note 2)	353,807
Lease payment	(106,380)
Finance charges	<u>12,016</u>
	259,443
Less: Current liabilities	<u>(127,439)</u>
Non-current liabilities	<u>132,004</u>

**Banader Hotels Company B.S.C.**

**Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2019**

**(Unaudited)**

**(Expressed in Bahrain Dinars)**

**8 Lease liability (continued)**

Maturity analysis - contractual undiscounted cash flows:

	30 September 2019 (Unaudited)
Less than one year	137,680
One to five years	<u>135,600</u>
Total undiscounted lease liabilities at 30 September 2019	<u>273,280</u>

**9 Amounts due to a related party**

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
BMMI B.S.C.	<u>13,861,274</u>	<u>11,502,997</u>

The amount due to related party includes loan of BD12,030,270 (2018: BD10,903,000) 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.

**10 Operating revenue**

	Nine months ended 30 September 2019 (Unaudited)	Nine months ended 30 September 2018 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2018 (Unaudited)
Rooms	1,607,139	1,491,496	502,779	465,024
Food and beverages	567,143	537,477	163,929	156,448
Other operating departments	<u>131,834</u>	<u>119,448</u>	<u>46,839</u>	<u>39,887</u>
	<u>2,306,116</u>	<u>2,148,421</u>	<u>713,547</u>	<u>661,359</u>



**Banader Hotels Company B.S.C.**

**Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2019**

**(Unaudited)**

**(Expressed in Bahrain Dinars)**

**11 Cost of operations**

	Nine months ended 30 September 2019 (Unaudited)	Nine months ended 30 September 2018 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2018 (Unaudited)
Food and beverages	182,325	177,004	52,715	51,066
Other overhead expenses	288,363	299,793	114,061	121,721
Direct labour	<u>521,388</u>	<u>576,043</u>	<u>176,008</u>	<u>193,392</u>
	<u>992,076</u>	<u>1,052,840</u>	<u>342,784</u>	<u>366,179</u>

**12 General and administrative expenses**

	Nine months ended 30 September 2019 (Unaudited)	Nine months ended 30 September 2018 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2018 (Unaudited)
Staff costs	471,749	655,140	155,253	202,135
Commission	120,372	115,573	39,411	37,798
Corporate expenses	110,672	146,732	28,909	34,085
Loss of disposal of property, plant and equipment	-	135,780	-	-
Amortisation of right-of-use asset (Note 5)	99,246	-	33,082	-
Interest expense on lease liability (Note 8)	12,016	-	3,656	-
Management fees	52,739	42,968	14,098	13,227
IT costs	71,722	61,111	22,806	22,109
Contract services	57,471	55,436	20,690	21,658
Advertisement and business promotion	31,150	33,911	9,242	9,026
Legal and professional fees	27,870	27,816	9,269	9,345
Printing and stationery	23,134	27,543	5,929	8,623
Selling expenses	17,976	15,394	6,843	6,635
Other administrative expenses	<u>121,801</u>	<u>145,252</u>	<u>39,435</u>	<u>44,831</u>
	<u>1,206,293</u>	<u>1,450,116</u>	<u>385,252</u>	<u>403,519</u>

**Banader Hotels Company B.S.C.****Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2019****(Unaudited)****(Expressed in Bahrain Dinars)****13 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, excluding the treasury shares purchased and held by the Company.

	Nine months ended 30 September 2019 (Unaudited)	Nine months ended 30 September 2018 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2018 (Unaudited)
Net loss attributable to the shareholders	(2,589,011)	(2,863,563)	(917,785)	(1,034,835)
Weighted average number of ordinary shares	<u>229,501,500</u>	<u>229,501,500</u>	<u>229,501,500</u>	<u>229,501,500</u>
Basic and diluted loss per share	<u>(0.011)</u>	<u>(0.012)</u>	<u>(0.004)</u>	<u>(0.005)</u>

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

**14 Transactions 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 shareholders, key management personnel and their close family members and such other companies over which the Company or its shareholders, 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	Period ended 30 September 2019 (Unaudited)	Period ended 30 September 2018 (Unaudited)
BMMI B.S.C.	Shareholder	Purchases	39,479	14,372
BMMI B.S.C.	Shareholder	Sales	22,735	26,081
BMMI B.S.C.	Shareholder	Interest on loan from a related party	489,585	321,205
BMMI B.S.C.	Shareholder	Rent expense	-	800
			<u>551,799</u>	<u>362,458</u>

The total salaries to members of key management in 2019 (including salaries and benefits) amounted to BD52,218 (2018: BD59,412). The total sitting fees paid to the Board of Directors in 2019 was BD13,200 (2018: BD12,300).

**15 Interim financial information**

The interim net profit for the quarter and nine months ended 30 September 2019 may not represent a proportionate share of the annual net profit due to the variability in the receipt of dividend and investment income.

**16 Segment reporting**

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 operates only in the Kingdom of Bahrain and, hence, no geographical segmental information is presented in this unaudited condensed interim financial information.

**17 Subsequent events**

There were no significant events subsequent to 30 September 2019 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.

**18 Comparative figures**

Previous period's figures have been regrouped or reclassified wherever necessary to make them comparable with those of the current year. Significant change made during the year was as follows:

<u>Reclassification from</u>	<u>Reclassification to</u>	<u>30 September 2018</u>
General and administrative expenses	Operating costs	35,614