

Banader Hotels Company B.S.C.

Condensed interim financial information
for the quarter and nine months ended
30 September 2020 (Unaudited)

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Banader Hotels Company B.S.C.
Administration and contact details as at 30 September 2020

Commercial registration no.	59045-01 obtained on 20 December 2005 59045-02 obtained on 15 February 2016	
Directors	Mr. Abdulla Hasan Abdulla Buhindi Mr. Jehad Yusuf Abdulla Amin Mr. Mohamed Farooq Yusuf Al-Moayyed Mr. Redha Abdulla Ali Faraj Mr. Khaled Ali Rashed Al-Ameen Mr. Ahmed Mohamed Hussain Ali Yateem Mr. Suhail Mohamed Husain Hajee Mr. Nael Jamil Issa Hashweh Mr. Yusuf Abdulrahman Yusuf Fakhroo	Chairman Vice-Chairman Director Director Director Director Director Director Director
Audit, risk and compliance committees	Mr. Redha Abdulla Ali Faraj Mr. Khaled Ali Rashed Al-Ameen Mr. Ahmed Mohamed Hussain Ali Yateem Mr. Yusuf Abdulrahman Yusuf Fakhroo	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	Bank of Bahrain and Kuwait HSBC Bank Middle East Limited	
Auditors	BDO 17 th Floor, Diplomat Commercial Offices 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 2020, 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 2020, 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*".




Manama, Kingdom of Bahrain
21 October 2020




Banader Hotels Company B.S.C.
Condensed interim statement of financial position as at 30 September 2020
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	30 September 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	35,364,430	36,773,498
Right-of-use assets	6	<u>133,346</u>	<u>221,480</u>
		<u>35,497,776</u>	<u>36,994,978</u>
Current assets			
Inventories		44,454	58,826
Trade and other receivables		280,126	453,305
Cash and cash equivalents		<u>37,586</u>	<u>211,947</u>
		<u>362,166</u>	<u>724,078</u>
Total assets		<u>35,859,942</u>	<u>37,719,056</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	3,662,099	22,950,150
Preference shares	7	14,833,615	-
Capital adjustment account		-	(2,434,650)
Statutory reserve		-	65,681
General reserve		-	279,236
Accumulated losses		<u>(2,295,493)</u>	<u>(17,198,318)</u>
Total equity		<u>16,200,221</u>	<u>3,662,099</u>
Non-current liabilities			
Non-current portion of term loan	8	14,288,676	14,875,992
Non-current portion of lease liabilities	9	3,129	99,650
Amount due to a related party	10	-	8,033,615
Employees' terminal benefits		<u>93,300</u>	<u>98,514</u>
		<u>14,385,105</u>	<u>23,107,771</u>
Current liabilities			
Current portion of term loan	8	2,369,036	2,364,137
Current portion of lease liabilities	9	135,996	127,504
Trade and other payables		1,511,853	1,635,157
Amounts due to a related party	10	1,214,903	6,800,000
Bank overdrafts		<u>42,828</u>	<u>22,388</u>
		<u>5,274,616</u>	<u>10,949,186</u>
Total equity and liabilities		<u>35,859,942</u>	<u>37,719,056</u>

The unaudited condensed financial information, were approved for issue by the Board of Directors and signed on their behalf by:


Abdulla Hasan Abdulla Buhindi
Chairman


Jihad Yusuf Abdulla Amin
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 2020
(Unaudited)
(Expressed in Bahrain Dinars)

	Notes	Nine months ended 30 September 2020	Nine months ended 30 September 2019	Quarter ended 30 September 2020	Quarter ended 30 September 2019
Operating income	11	756,021	2,306,116	86,663	713,547
Operating costs	12	(534,397)	(992,076)	(164,100)	(342,784)
Operating profit/ (loss) for the period		221,624	1,314,040	(77,437)	370,763
Other income		484,602	-	346,918	-
		706,226	1,314,040	269,481	370,763
Non-operating expenses					
General and administrative expenses	13	(881,186)	(1,194,277)	(247,117)	(381,596)
Depreciation of property, plant and equipment	5	(1,418,671)	(1,410,040)	(476,478)	(475,258)
Finance costs		(701,862)	(1,298,734)	(198,829)	(431,694)
		(3,001,719)	(3,903,051)	(922,424)	(1,288,548)
Net loss and other comprehensive loss for the period		(2,295,493)	(2,589,011)	(652,943)	(917,785)
Basic and diluted loss per share	14	(0.024)	(0.011)	(0.018)	(0.004)

The unaudited condensed financial information, were approved for issue by the Board of Directors and signed on their behalf by:


Abdulla Hasan Abdulla Buhindi
Chairman


Jehad Yusuf Abdulla Amin
Vice-Chairman

Banader Hotels Company B.S.C.
Condensed interim statement of changes in shareholders' equity for the nine months ended 30 September 2020
(Unaudited)
(Expressed in Bahrain Dinars)

	Share capital	Preference shares	Capital adjustment account	Statutory reserve	General reserve	Accumulated losses	Total
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)
Transferred 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
At 31 December 2019 (audited)	22,950,150	-	(2,434,650)	65,681	279,236	(17,198,318)	3,662,099
Reduction in capital during the period	(19,288,051)	-	2,434,650	(65,681)	(279,236)	17,198,318	-
Issue of preference shares (Note 7)	-	14,833,615	-	-	-	-	14,833,615
Net loss and other comprehensive loss for the period	-	-	-	-	-	(2,295,493)	(2,295,493)
At 30 September 2020 (unaudited)	3,662,099	14,833,615	-	-	-	(2,295,493)	16,200,221

Banader Hotels Company B.S.C.
Condensed interim statement of cash flows for the nine months ended 30 September 2020
(Unaudited)
(Expressed in Bahrain Dinars)

		Nine months ended 30 September 2020 (Unaudited)	Nine months ended 30 September 2019 (Unaudited)
	Notes		
Operating activities			
Net loss for the period		(2,295,493)	(2,589,011)
Adjustments for:			
Depreciation on property plant and equipment	5	1,418,671	1,410,040
Finance costs		701,862	1,298,734
Amortisation of right-of-use asset	6	96,219	99,246
Provision for doubtful debts	13	5,186	-
Changes in operating assets and liabilities:			
Inventories		14,372	3,673
Trade and other receivables		167,994	13,505
Trade and other payables		(123,305)	(19,091)
Retention payables		-	(1,250)
Employees' terminal benefits, net		(5,214)	7,241
Net cash (used in)/provided by operating activities		(19,708)	223,087
Investing activities			
Purchase of property, plant and equipment	5	(9,603)	(12,655)
Net cash used in investing activities		(9,603)	(12,655)
Financing activities			
Proceeds from issue of preference shares	7	14,833,615	-
Principal elements of lease payments		(96,114)	(106,380)
Net movement in term loan		(582,417)	(1,703,070)
Net movement in amounts due to related party		(13,618,712)	2,358,277
Finance costs paid		(701,862)	(1,286,718)
Net cash used in financing activities		(165,490)	(737,891)
Net decrease in cash and cash equivalents		(194,801)	(527,459)
Cash and cash equivalents, beginning of the period		189,559	723,114
Cash and cash equivalents, end of the period		(5,242)	195,655
Comprising:			
Cash and cash equivalents		37,586	196,758
Bank overdrafts		(42,828)	(1,103)
		5,242	195,655

Banader Hotels Company B.S.C.

Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2020

(Unaudited)

(Expressed in Bahrain Dinars)

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 L.L.C. 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 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 unaudited condensed financial information, set out on pages 4 to 21, were approved for issue by the Board of Directors on 21 October 2020.

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 2019. The financial information has been presented in Bahraini Dinar (BD) which is also the functional currency of the Company.

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

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.

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2020 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 2020 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 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

Standards, amendments and interpretations issued but not yet effective in 2020

The following new/amended accounting standards and interpretations have been issued but are not mandatory for financial period ended 30 September 2020. They have not been adopted in preparing the financial statements for the period ended 30 September 2020 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 2023

There would have been no change in the operational results of the Company for the period ended 30 September 2020 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2020

The Company did not early-adopt any new or amended standards in 2020. The Company does not believe that the early adoption of these standards and interpretation will have a material impact on the financial statements once adopted.

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 2019, as described in those annual audited financial statements except for amendments to IFRS 16: COVID-19 Related Rent Concessions, which were adopted on 1 April 2020.

Details of the impact this amendment has had are given below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

Amendments to IFRS 16: COVID-19-Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Company has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Company, occurred from March 2020 to September 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The effect of applying the practical expedient is disclosed in Note 4(b).

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

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. However, as discussed in Note 4, the effects of COVID-19 have required significant judgments and estimates to be made, including:

- a) Whether rent concessions satisfy the criteria to be accounted for using the practical expedient introduced by the amendments to IFRS 16;
- b) Assessing whether the entity has reasonable assurance as to whether it will comply with the conditions attached to government grants; and
- c) Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period'). For disclosure of non-adjusting events after the reporting period, refer to Note 20.

Additionally, while the changes in the following estimates and judgments have not had a material impact on a Company, the effects of COVID-19 have required revisions to:

- a) Estimates of customer returns and the determination of a Company's methodology for estimating the transaction price for sales subject to rights of return;
- b) Estimates of expected credit losses attributable to accounts receivable arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates; and
- c) The methodology used to estimate the fair value of equity instruments classified as level 3 in the fair value hierarchy, as their valuation techniques incorporate significant unobservable inputs.

4 Significant events and transactions

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Company has experienced significant disruption to its operations in the following respects:

- The closure of the hotel outlets due to local governments mandating that 'non-essential' businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased demand for travel, accommodation, hotel facilities and hotel outlets, as a consequence of social distancing requirements and recommendations;
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for Company's primary products.

4 Significant events and transactions

Based on the nature of operations and the industry in which it operates, the Company's management assessed the significant impact of COVID-19 in the below areas:

- Operating income;
- Rent concessions;
- Government grants;
- Going concern;
- Interest on term loan; and
- Commitments and contingencies.

(a) Operating income

The Company has experienced a significant reduction in its operating income since pandemic effect was widespread during the period ended 30 September 2020. The Company is engaged in operating hotels, providing services related to Hospitality management. The Hotel operated by the Company was closed during the period causing the decrease in operating revenue by BD1,550,095 as compared to the prior period. The Company has reported a total operating income of BD221,624 for the nine months period ended as compared to BD1,314,040 in the corresponding previous period.

(b) Rent concessions

Due to government policy, the Company had to close substantially its hotel and other hotel facilities starting from March 2020 and hotel remain closed till the end of period ended 30 September 2020.

The Company has received rent concessions from lessors due to the fact that Company being unable to operate for significant periods of time due to Covid-19 Pandemic.

As discussed in Note 2, the Company has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the six months period ended 30 September 2020 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of BD16,076. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

(c) Government grants

The Company applied for various government support programs introduced in response to the global pandemic.

Included in profit or loss amounting to BD64,215 of government grants consists of salary, GOSI and visa charges obtained relating to supporting the payroll of Company's employees. The Company has elected to present this government grant separately under other income, rather than reducing the related expense. The Company had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company does not have any unfulfilled obligations relating to this program.

Included in profit or loss is BD39,809 of government grants obtained relating to the electricity expenses to support the operations of the Company. The Company has elected to present this government grant separately under other income, rather than reducing the related expense.

Banader Hotels Company B.S.C.

Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2020

(Unaudited)

(Expressed in Bahrain Dinars)

4 Significant events and transactions (continued)

(a) Going Concern

The Company has incurred a net loss of BD2,295,493 during the nine months period ended 30 September 2020. The current period losses have resulted into accumulated losses amounting to BD2,295,493 as at 30 September 2020 raising concern on the going concern status of the Company.

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of Covid-19 may contribute to evolve, but at the present time the projections show that the Company has ample resources to continue to operational existence and its going concern positions remain largely unaffected and unchanged from 31 December 2019. As a result, this interim condensed financial information has been appropriately prepared on a going concern basis.

(e) Interest on term loan

During the period, as per the communication received from the Company's bankers, the instalments and interest on Company's term loan have been deferred by 6 months and repayment shall resume in September 2020. This moratorium has reduced the finance cost for the period ended 30 September 2020 by BD364,501. The Company has elected to recognise this benefit as other income, rather than reducing the related expense

(f) Commitments and contingent liabilities

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Company, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

The below table summarizes the impact of COVID-19 at this condensed interim financial information for the nine-months period ended 30 September 2020:

<u>Financial statement area</u>	<u>Nature of impact</u>	<u>Amount</u>
Operating revenue	Decrease	1,550,095
Rent concessions received	Increase	16,076
Government grants for electricity & water	Increase	39,809
Government grants for salary and visa charges	Increase	64,215
Interest on term loan	Decrease	364,501

No other significant impact has been noted by the management on other financial statement areas during the period ended 30 September 2020.

Banader Hotels Company B.S.C.
Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2020
(Unaudited)
(Expressed in Bahrain Dinars)

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 2018 (Audited)	3,048,313	29,189,225	8,350,430	282,892	26,525	3,214,726	44,112,111
Additions during the year	-	-	10,690	18,144	-	-	28,834
At 31 December 2019 (Audited)	3,048,313	29,189,225	8,361,120	301,036	26,525	3,214,726	44,140,945
Additions during the period	-	-	4,788	4,815	-	-	9,603
At 30 September 2020 (Unaudited)	3,048,313	29,189,225	8,365,908	305,851	26,525	3,214,726	44,150,548
Accumulated depreciation							
At 31 December 2018 (Audited)	-	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 (Audited)	-	2,789,773	3,026,040	204,231	23,610	1,323,793	7,367,447
Charge for the period	-	547,798	606,051	44,080	2,915	217,827	1,418,671
At 30 September 2020 (Unaudited)	-	3,337,571	3,632,091	248,311	26,525	1,541,620	8,786,118
Net book value							
At 30 September 2020 (Unaudited)	3,048,313	25,851,654	4,733,817	57,540	-	1,673,106	35,364,430
At 31 December 2019 (Audited)	3,048,313	26,399,452	5,335,080	96,805	2,915	1,890,933	36,773,498

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

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 Right-of-use assets

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Office and staff accommodation		
Opening balance	221,480	353,807
Addition during the period	8,085	-
Amortisation charge for the period/year (Note 13)	<u>(96,219)</u>	<u>(132,327)</u>
Closing balance	<u>133,346</u>	<u>221,480</u>

7 Share capital

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Authorised share capital		
Equity shares 300,000,000 (2019: 300,000,000) Equity shares of 100 fils each	<u>30,000,000</u>	<u>30,000,000</u>
Irredeemable preference shares 148,336,150 (2019: Nil) Preference shares of 100 fils each	<u>148,336,150</u>	<u>-</u>
Issued and fully paid-up		
Equity shares 36,620,990 (2019: 229,501,500) Equity shares of 100 fils each	<u>3,662,099</u>	<u>22,950,150</u>
Irredeemable preference shares 148,336,150 (2019: Nil) Preference shares of 100 fils each	<u>14,833,615</u>	<u>-</u>

In accordance with the resolution passed by the Board of Directors of the Company on 25 March 2020, it was resolved to reduce the issued and paid-up capital of the Company and reserves in order to write-off the accumulated losses and capital adjustment account as at 31 December 2019.

Based on the above resolution, the Board of Directors have proposed to reduce the number of shares from 229,501,500 to 36,620,990 of with par value of 100 fils each.

In addition to this, the Board of Directors have also approved the conversion of subordinated loan obtained from BMMI B.S.C. amounting to BD14,833,615 into preference shares by issuing 148,336,150 preference shares having a par value of 100 fils each.

Banader Hotels Company B.S.C.
Selected explanatory notes to the condensed interim financial information for the quarter and
nine months ended 30 September 2020
(Unaudited)
(Expressed in Bahrain Dinars)

8 Term loan

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
HSBC Bank Middle East Limited	16,657,712	17,240,129
Less: current portion of term loan	<u>(2,369,036)</u>	<u>(2,364,137)</u>
Non-current portion of term loan	<u>14,288,676</u>	<u>14,875,992</u>

During the current quarter, the bank has restructured the term loans. As per the new agreement, the loan instalment and interest falling due from 31 March 2020 to 31 August 2020, have been deferred by six months and the next instalment will be starting from September 2020. The management has taken a stand to recognise the gain on the deferment of the finance costs under other income amounting to BD364,501 during the period of deferment of the loan.

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

9 Lease liabilities

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Opening balance	227,154	353,807
Addition during the period	8,085	-
Interest charge	6,945	15,187
Lease payment	(86,983)	(141,840)
Rent concessions (Note 4)	<u>(16,076)</u>	<u>-</u>
	139,125	227,154
Less: current portion of lease liabilities	<u>(135,996)</u>	<u>(127,504)</u>
Non-current portion of lease liabilities	<u>3,129</u>	<u>99,650</u>

Maturity analysis - contractual undiscounted cash flows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Less than one year	139,824	136,120
One to five years	<u>3,168</u>	<u>101,700</u>
Total undiscounted lease liabilities	<u>142,992</u>	<u>237,820</u>

Banader Hotels Company B.S.C.

Selected explanatory notes to the condensed interim financial information for the quarter and nine months period ended 30 September 2020

(Unaudited)

(Expressed in Bahrain Dinars)

10 Amounts due to a related party

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
BMMI B.S.C.	1,214,903	14,833,615
Less: current portion of amounts due to a related party	<u>(1,214,903)</u>	<u>(6,800,000)</u>
Non-current portion of amounts due to a related party	<u>-</u>	<u>8,033,615</u>

During the period, the Board of Directors have approved the conversion of subordinated loan obtained from BMMI B.S.C. amounting to BD14,833,615 into preference shares by issuing 148,336,150 preference shares having a par value of 100 fils each.

11 Operating revenue

	Nine months ended 30 September 2020 (Unaudited)	Nine months ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2020 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)
Rooms	527,463	1,607,139	56,297	502,779
Food and beverages	181,718	567,143	23,635	163,929
Other operating departments	<u>46,840</u>	<u>131,834</u>	<u>6,731</u>	<u>46,839</u>
	<u>756,021</u>	<u>2,306,116</u>	<u>86,663</u>	<u>713,547</u>

12 Cost of operations

	Nine months ended 30 September 2020 (Unaudited)	Nine months ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2020 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)
Food and beverages	62,095	182,325	11,937	52,715
Other overhead expenses	166,581	288,363	64,431	114,061
Direct labour	<u>305,721</u>	<u>521,388</u>	<u>87,732</u>	<u>176,008</u>
	<u>534,397</u>	<u>992,076</u>	<u>164,100</u>	<u>342,784</u>

Banader Hotels Company B.S.C.

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13 General and administrative expenses

	Nine months ended 30 September 2020 (Unaudited)	Nine months ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2020 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)
Staff costs	385,496	471,749	118,800	155,253
Corporate expenses	115,422	110,672	33,432	28,909
Amortisation of right-of-use asset (Note 6)	96,219	99,246	32,579	33,082
IT Costs	61,585	71,722	18,422	22,806
Commission	45,286	120,372	7,031	39,411
Contract services	40,180	57,471	9,425	20,690
Legal and professional fees	20,640	27,870	7,695	9,269
Management fees	15,120	52,739	1,733	14,098
Selling expenses	11,812	17,976	393	6,843
Printing and stationery	10,443	23,134	2,699	5,929
Advertisement and business promotion	9,985	31,150	1,226	9,242
Provision for doubtful debts	5,186	-	5,186	-
Other administrative expenses	<u>63,812</u>	<u>110,176</u>	<u>8,496</u>	<u>36,064</u>
	<u>881,186</u>	<u>1,194,277</u>	<u>247,117</u>	<u>381,596</u>

Banader Hotels Company B.S.C.

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14 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 2020 (Unaudited)	Nine months ended 30 September 2019 (Unaudited)	Quarter ended 30 September 2020 (Unaudited)	Quarter ended 30 September 2019 (Unaudited)
Net loss attributable to the shareholders	<u>(2,295,493)</u>	<u>(2,589,011)</u>	<u>(652,943)</u>	<u>(917,785)</u>
Weighted average number of ordinary shares	<u>96,456,185</u>	<u>229,501,500</u>	<u>36,620,990</u>	<u>229,501,500</u>
Basic and diluted loss per share	<u>(0.024)</u>	<u>(0.011)</u>	<u>(0.018)</u>	<u>(0.004)</u>

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

15 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 major shareholders, Board of Directors, key management personnel and their close family members and such other companies over which the Company or its major shareholders, Board of 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	Period ended 30 September 2020 (Unaudited)	Period ended 30 September 2019 (Unaudited)
BMMI B.S.C.	Shareholder	Purchases	9,521	39,479
BMMI B.S.C.	Shareholder	Sales	5,402	22,735
BMMI B.S.C.	Shareholder	Interest on loan from related party	<u>110,936</u>	<u>489,585</u>
			<u>125,859</u>	<u>551,799</u>

The total salaries to members of key management in 2020 (including salaries and benefits) amounted to BD53,622 (2019: BD52,218). The total sitting fees to Board of Directors in 2020 was BD10,500 (2019: BD13,200).

Banader Hotels Company B.S.C.

Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2020 (Unaudited)
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16 Transactions and balances with related parties (continued)

A summary of related party balances is as follows:

	<u>Related party relationship</u>	<u>30 September 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
<u>Amounts due from related parties</u>			
BMMI B.S.C.	Parent Company	18,179	-
Art Rotana Hotel	Common management	3,486	-
Bayader S.P.C.	Common shareholder	1,433	6,917
Majestic Arjaan by Rotana	Common management	1,119	40
Rotana Hotel Management	Corporate office	212	-
Media Rotana	Common management	86	-
Babylon Rotana	Common management	28	28
Al Bander Rotana- Creek	Common management	-	41
		<u>24,543</u>	<u>7,026</u>
<u>Amounts due to related parties</u>			
	<u>Related party relationship</u>	<u>30 September 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
BMMI B.S.C.	Parent company	5,838	6,455
Art Rotana Hotel	Common management	4,715	10,682
Majestic Arjaan by Rotana	Common management	3,193	-
Amwaj Rotana - Jumierah Beach Dubai	Common management	974	962
Rotana Hotel Management	Management Company	<u>567</u>	<u>2,467</u>
		<u>15,287</u>	<u>20,566</u>

17 Interim financial information

The interim net profit for the quarter and nine months ended 30 September 2020 may not represent a proportionate share of the annual net profit due to the variability in the receipt of dividend and investment income.

18 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.

Banader Hotels Company B.S.C.

Selected explanatory notes to the condensed interim financial information for the quarter and nine months ended 30 September 2020 (Unaudited)
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19 Commitments and contingent liabilities

Operating lease commitments:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Less than one year	139,824	136,120
One to five years	<u>3,168</u>	<u>101,700</u>
Total undiscounted lease liabilities	<u>142,992</u>	<u>237,820</u>

20 Subsequent events

The Company is still in the process of negotiation with lessors for additional rent concessions of their staff accommodation. If the negotiations would be successful, the rent concessions will result in reduction in lease liabilities. The Health Ministry of Kingdom of Bahrain has announced that the hotels and restaurants in Bahrain will stay closed to in-house diners. The Company is engaged in operating hotel and restaurants and providing services related to the family entertainment, hence the Company operating income is expected to be further reduced.

There were no other significant events subsequent to 30 September 2020 and occurring before the date of signing of the financial statements that would have a significant impact on these financial statements.