

POST PANDAMIC YEAR

ANNUAL REPORT 2022



**Commercial
Registration No.**

1192 obtained on 11 August 1968
(Also refer Note 1)

Directors

Dr Esam Abdulla Yusuf Fakhro - Chairman
Ali Yusuf Ali Ubaydli - Vice-Chairman
Ahmed AbdulRahman Rashed Albastaki - Managing Director

Fareed Yusuf Khalil Almoayyed
Jehad Yusuf Abdulla Amin
Jalal Mohamed Yusuf Jalal
Mohamed Ebrahim Khalil Kanoo
Shawqi Ali Yusuf Fakhro

Chief Executive Officer

Ahmed AbdulRahman Rashed Albastaki

Audit Committee

Shawqi Ali Yusuf Fakhro - Chairman
Fareed Yusuf Khalil Almoayyed
Jalal Mohamed Yusuf Jalal

Registered Office

27th Floor
Building 470, Road 1010
Block 410
Fakhro Tower
PO Box 26573
Sanabis
Kingdom of Bahrain

Bankers

National Bank of Bahrain
Bank of Bahrain and Kuwait
Ahli United Bank
National Bank of Kuwait
Mashreq Bank
Arab Bank
Al Salam Bank

Auditors

BDO
17th Floor, Diplomatic Commercial Office Tower
PO Box 787
Diplomatic Area
Kingdom of Bahrain

Share Registrar

Bahrain Clear B.S.C. (c)
PO Box 3203
Manama
Kingdom of Bahrain

Support Share Registrar

KFin Technologies (Bahrain) W.L.L.
PO Box 514
Manama
Kingdom of Bahrain

Cineco



His Royal Highness
Prince Salman bin Hamad Al Khalifa

The Crown Prince, Deputy Supreme Commander &
the Prime Minister of Kingdom of Bahrain



His Majesty
King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

History

30/06/1967: The late Amir of Bahrain, Shaikh Isa Bin Salman Al Khalifa, may God rest his soul in peace, issued a charter to establish the Bahrain Cinema and Film Distribution Company (BC & FDC), with the following founder members:

Late Ali A. Rahman Al Wazan/ Late Ali Ben Yousif Fakhro/ Late Ezra Ebrahim Nono/ Late A. Rahman Bin Mohamed Al Khalifa/ Mr. Mohamed Yousif Jalal/ Mr. Ali Ebrahim Abdul Aal/ Mr. Ali Yousif Obaidly/ Mr. Sayed Alawi Sayed Maoosa Al Alawi/ Late A. Rahman A. Ghaffar Al Alawi/ Mr. Jassim Mohamed Fakhro.

Authorized Capital BD 750,000

Issued Capital BD500,000 distributed over 50,000 shares, at a nominal value of BD10.000 per share.

06/06/1968: BC & FDC commences operations after acquisition of Awal Cinema, Bahrain Cinema & Al Nasr Cinema from late Abdul Rahman Al Alawi.

Al Zubara Cinema was leased from late Ali Bin Ahmed Al Khalifa.

08/06/1968: Opening of Al Hamra Cinema, being the first air-conditioned theater in Bahrain.

20/07/1971: Opening new premises of Awal Cinema after demolishing the old one. Taking over Al Zubara Cinema from late Ali Bin Ahmed Al Khalifa.

06/01/1972: Opening of Andalus Cinema at Isa Town.

01/04/1972: Leasing Awali and Sitra Gate Cinemas from Bapco.

1973: Closing down Al Zubara Cinema.

22/02/1973: Leasing Al Jazeera Cinema from the Government.

1974: Increase of issued and paid-up capital to BD750,000 by

offering 25,000 shares as rights issue at the rate of BD30.000 per share.

1975: BC & FDC gets compensated with the Central Market Land in lieu of the ex-Bahrain Cinema Land.

Fire breaks down at Andalus Cinema.

1976: BC & FDC changes its name to Bahrain Cinema Company (BCC)

17/06/1978: Another fire breaks down at Andalus Cinema.

27/08/1979: A major fire breaks down at Awal Cinema.

1979: Converting Al Nasr Cinema into an air-conditioned theatre.

1981: Doubling the issued and paid-up capital to BD1,500,000 through issuance of 100% bonus shares, and splitting the share to BD1.000.

1983: Opening new premises of Awal Cinema and closing Sitra Gate Cinema.

1984: Induction of new management force represented by Dr. Esam Abdulla Fakhro as the Managing Director and Mr. Ahmad A. Rehman Rashed, as the General Manager.

1985: Opening of Bahrain Video and Video Matic outlets.

BCC sells its share in Oman Arab Cinema.

1988: Opening of Budaiya Video outlet.

1989: Disposal of Andalus Cinema to the Ministry of Information.

1990: Reduction of paid-up Capital to 1,259,880 following a write off of 240,120 shares + cash in a barter deal with the Government to surrender Andalus Cinema.

1991: sale of usufruct right of Al Jazeera Cinema Closing down Awali Cinema

1992: Increase of authorized capital to BD3 million.

Increase of issued and paid-up capital to BD1,385,868 through issuance of 10% bonus shares.

Split of shares to 100 fils per share.

1993: Increase of issued and paid-up capital to BD1,524,455 by issuance of 10% bonus shares.

1996: Opening 2 screens of Delmon Cinema at GOSI Building.

1997: Increase of paid-up capital to BD1,722,635 through issuance of 13% Bonus shares.

1998: Increase of paid-up capital to BD1,998,257 through issuance of 16% bonus shares.

15/07/1998: Opening of Al Seef 6 screens Cineplex at Seef Mall.

05/05/2000: Al Nasr Cinema shuts down permanently after a major fire breaks down.

Al Hamra Cinema shuts down temporarily for repairs caused by fire.

28/06/2000: Opening of Al Jazeera 2 Screens Cineplex at Muharraq Island.

26/12/2000: Opening of 4 Screens Saar Cineplex at Saar.

07/02/2001: Re-opening Al Hamra Cinema.

03/04/2001: Closing of Al Raffain & Awali Video outlets.

19/09/2001: Opening of Seef 10 screens Megaplex.

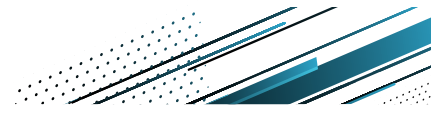
07/05/2002: Opening of "Rendezvous" open buffet Restaurant in Seef Mall.

2002: Closing of Videomatic Video outlet.

28/02/2003: Closing of Budaiya video.

31/12/2003: Closing of Bahrain video.

31/01/2004: Closing of Delmon video.



11/04/2004: Increasing the paid-up capital to BD2,297,993 by issuance of 15% bonus share.

29/04/2004: Opening of a new 14 screens Cineplex at the Doha City Center, Qatar.

16/06/2004: Increase of authorized capital to BD10 million.

30/09/2004: Delmon Cinema, at the Gosi Mall shuts down permanently.

04/01/2005: The signing of a new 20 Screens Cineplex at the Bahrain City Center.

16/01/2005: Increase in the paid-up capital to BD2,597,734 by issuance of 2,846,843 rights issue shares at the rate of 500 fils per share.

29/03/2005: Increase in the paid-up capital to BD2,942,430 by issuance of 15% bonus share.

18/03/2006: Increasing the paid-up Capital to BD3,383,795 by issuance of 15% bonus shares.

25/05/2006: Increase in the paid-up Capital to BD3,825,160 by issuance of 4,413,650 rights issue shares at the rate of 600 fils per share.

13/11/2006: Closing down of Snooker Centre.

01/01/2007: Opening of Taka Tak Casual Indian Restaurant in Awal Cinema Complex.

15/01/2007: The Signing of a 13 Screens Cineplex at the Villagio Mall, Doha, Qatar.

22/10/2007: Reduction of number of directors to seven.

24/01/2008: The sad demise of the Chairman Ali Bin Yousif Fakhro, may his soul rest in peace.

10/02/2008: The formation of the BREADTALK joint venture.

03/03/2008: Increasing the paid-up capital to BD4,590,192 by issuance of 20% bonus shares.

30/04/2008: Sale of Central Market land.

22/10/2009: The opening of Cineco 13 at the Doha Villagio Mall.

26/11/2009: The opening of Cineco 20 at the Bahrain City Centre.

21/01/2010: Opening of Awal Banquet Hall

02/09/2010: Opening of the 3rd branch of Bread Talk at the Bahrain City Center

31/12/2010: The Formation of Qatar Bahrain International Cinema W.L.L.

22/03/2011: Increase in the paid-up capital to BD5,508,230 by issuance of 20% bonus shares.

07/04/2011: The opening of the 2nd branch of Rendezvous in City Center.

01/01/2012: Company exits from breadtalk by selling its shares to the existing shareholders.

28/05/2012: Villagio mall in doha shuts down for 115 days as a result of an unfortunate fire incident.

21/03/2013: Re-opening of Rendezvous restaurant after renovation in Seef.

06/10/2013: Shifting of Corporate Office to Fakhro Tower, Sanabis.

26/03/2014: Increase in the paid-up capital to BD 6,609,876 by issuance of 20% bonus shares.

27/12/2015: Opening of Takatak Restaurant outlet in Dragon Mall in Diyar Al Muharraq.

03/01/2016: Closing down of Awal Cinema and closing of TakaTak Restaurant in Awal Complex.

14/04/2016: Opening of 6 screens Cineplex in Wadi Al Sail Mall.

19/04/2016: Opening of 3 screens Cineplex in Al Khor Mall in the State of Qatar.

26/05/2016: Opening of 13 screens Cineplex in Gulf Mall in the State of Qatar.

25/08/2016: Opening of Rendezvous Restaurant in Wadi Al Sail Mall.

28/08/2017: Increasing the number of directors from seven to eight by appointing the CEO Mr. Ahmed A. Rashed, as the eighth Director of the Company.

28/08/2017: Increase in the paid-up capital to BD8,262,345 by issuance of bonus shares at the rate of 25% of the paid up capital.

27/09/2017: Sale of 50% of assets of Cineco 20, City Centre.

15/03/2018 Opening of Awal Plaza

25/10/2018: Opening of 10 Screens Cineplex in Oasis Mall, Juffair

31/12/2018: Closing of AL Jazeera Cinema

30/11/2019: Closing of Saar Cineplex

18/03/2020: The Closure of Cinemas and Restaurants as per Government Order due to COVID-19

25/02/2021: Opening of 2 screens Cineplex in Galleria Mall, Dubai

23/07/2021: Re-opening of cinemas after temporary opening and closure of cinemas from May, 2021

25/12/2021: Closure of cinema in Galleria Mall, Dubai

20/07/2022: Opening of Adventure Sports facility in Bahrain Mall under the brand name "TRAX"

14/12/2022: Closure of Rendezvous Restaurant in Wadi al Sail Mall

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Administration and Contact Details as at 31 December 2022

Commercial Registration No

1192 obtained on 11 August 1968
(Also refer Note 1)

Directors

Dr Esam Abdulla Yusuf Fakhro - Chairman
Ali Yusuf Ali Ubaydli - Vice-Chairman
Ahmed AbdulRahman Rashed Albastaki - Managing Director

Fareed Yusuf Khalil Almoayyed
Jehad Yusuf Abdulla Amin
Jalal Mohamed Yusuf Jalal
Mohamed Ebrahim Khalil Kanoo
Shawqi Ali Yusuf Fakhroo

Chief Executive Officer

Ahmed AbdulRahman Rashed Albastaki

Audit committee

Shawqi Ali Yusuf Fakhroo - Chairman
Fareed Yusuf Khalil Almoayyed
Jalal Mohamed Yusuf Jalal

Registered office

27th Floor
Building 470, Road 1010
Block 410
Fakhro Tower
Sanabis
PO Box 26573
Kingdom of Bahrain

Bankers

National Bank of Bahrain
Bank of Bahrain and Kuwait
Ahli United Bank
National Bank of Kuwait
Mashreq Bank
Arab Bank
Al Salam Bank

Auditors

BDO
17th Floor, Diplomatic Commercial Office Tower
PO Box 787
Diplomatic Area
Kingdom of Bahrain

Share registrar

Bahrain Clear B.S.C. (c)
PO Box 3203
Manama
Kingdom of Bahrain

Support share registrar

KFin Technologies (Bahrain) W.L.L.
PO Box 514
Manama
Kingdom of Bahrain

Board of Directors



Dr. Esam Abdulla Fakhro
Chairman



Ali Yousif Ubaydli
Vice-Chairman



Ahmed A. Rahman Rashed AlBastaki
Managing Director and
Chief Executive Officer



Mohamed Ebrahim Kanoo
Director

Board of Directors



Jalal Mohamed Jalal
Director



Fareed Yousif Almoayyed
Director



Jihad Yousif Amin
Director



Shawqi Ali Fakhroo
Director

Board of Directors' Report to the Shareholders

Dear Shareholders,

It is a pleasure to present the Annual Report of the Company for the financial year 2022. The year 2022 was a year of recuperation as the scare of pandemic thankfully subsided and the threat to the lives and livelihood of the people ended on the back of supportive fiscal and monetary policies and mass vaccination programs, but the unprecedented pandemic was followed by supply chain whiplash, and further disruption was brought on by the Russia-Ukraine War. Economic sanctions on Russia posed a large shock and it disrupted energy markets & supply chains and added to the already evolving inflationary pressures and concerns over consumer demands. Many economies have experienced a sharp surge in inflation particularly food and fuel prices, taking their inflation rates to multi decade highs. The pace of monetary tightening is turning out to be quite swift and many central banks have been forced to raise the interest rates. We are now staring at the spectre of a high interest rate and high inflation regime.

However, the market, especially the entertainment industry has seen a major shift in the customer's predilection. With the challenges posed by the pandemic, the world and the businesses evolved and adapted, forcing a new normal. The Group hoped that performance of the cinemas will stabilize post pandemic but the turnaround of the audience in the theatre was not what the Group had anticipated. The occupancy remained at around 43% of the pre-pandemic levels. The versatility of the content on OTT platforms, competition among the streaming giants to deliver best content and the audiences shift towards the OTT platform backed by the home theatre technologies continues to threaten the big-screen experience popularity amongst the audiences. Currently, there are over 470 screens being operated in the Kingdom of Saudi Arabia which also abetted in low occupancy levels in the cinemas in Bahrain. With the good movies lined up next year, we hope that the cinema performance will get better and the audience will clamor back to the theatres.

Over the years, we have tried to find a balance between efficiency and resilience, with the last two decades of growth having swung the pendulum in the direction of efficiency. The events of the last three years have again taught us all the virtues of reserves and resilience. This era of disruption also presents a unique opportunity for renewal. The exigencies of this disruption have pushed the boundaries of innovation. We are seeing an environment where traditional rules didn't apply, freed thinking from its conventional shackles. And we are clearly staring at a new age, with new paradigms and new ideas.

During the year, the Group focused on cost optimization and to preserve the liquidity of the Group. The Group regularly monitored and reviewed the Capex requirements to ensure the adequacy of funds for any new investment opportunities in order to diversify income sources and respond to the market changes. We have taken some initiatives to drive the admissions to the cinemas by arranging alternate form of content screening such as live screening of the FIFA Football World Cup 2022 in Cineco cinemas across Bahrain in association with beIN Mena W.L.L and formed an agreement with Ministry of Education for special shows for all their school children regularly and tied up with a commercial bank for marketing one plus one offer.



As part of the expansion strategy, the Group has opened the world's largest indoor electric karting in Bahrain Mall in July, 2022 under the brand name "TRAX"



Dr. Esam Abdulla Fakhro
Chairman



Board of Directors' Report

to the Shareholders of Bahrain Cinema Company B.S.C. (Continued...)

As part of the expansion strategy, the Group has opened the world's largest indoor electric karting in Bahrain Mall in July, 2022 under the brand name "TRAX", The project also houses a Mirror maze adventure, Wall Climbing, Rollerblades Rink and Rope Adventure. It is the main attraction of the Mall. The Group is exploring opportunities to expand the project to other GCC countries.

Financial Highlights for the year 2022:

Last year, we were able to steer through the challenges of the unpredictable market conditions effectively and achieve strong growth in the topline. We would now like to present the highlights of our Group's performance during the year 2022. The operating income for the financial year 2022 was BD 5.282 million as compared to BD 2.317 million registered in the previous financial year. The Group has recorded the net profit of BD 1.143 million for the year 2022 in comparison to the net profit of BD 1.04 million in the year 2021. The earning per share for the year 2022 was 14 fils. The total balance sheet footings stood at BD 79.016 million.

The fiscal year 2022 was also marked by important investment achievement as we furthered our portfolio by investing in Government Bonds. The income from the investments and the real estate was what helped the Group to stay afloat when the core businesses of the Group were not faring well.

Future outlook:

The return on investments of the new projects post pandemic in entertainment business has been very low; therefore, your Group is focused to excel the performance of its core competencies in line with its asset light strategy. We have entered into an agreement with Seef Properties for managing and operating 7 screens cinema 'Al Liwan Cinema' located at Al Liwan mixed-use project developed by Seef Properties in Hamala in the Northern Governorate.

The Group is also exploring the opportunities to form JVs for new entertainment projects in Bahrain, Saudi Arabia and Oman to mitigate the risk of capital intensive business. This will strengthen the market presence of the Group in GCC region and alleviate the market share.

The Group is also exploring the feasibility to develop a land in Seef area owned by the Group into a retail shopping Centre with restaurants.

Corporate Governance:

The Board of Directors presented its first report on Corporate Governance on 26th February, 2012 and a report on Corporate Governance for year 2022 in accordance with the prescribed rules forms a part of this Annual Report.

CSR Initiatives & ESG Reporting:

We believe that a business cannot survive in isolation and it is the society that is the driving force of any business. Your Group is committed to build a better place socially and environmentally for the future generation. During the year, the Group engaged in several CSR activities which are detailed in the Corporate Governance Report. The Group has engaged a Consultant to formulate ESG framework for the Group and assist in ESG reporting. A comprehensive ESG report will be published in 2023.

Proposed Appropriations:

The Board of Directors would like to recommend the approval of the following appropriations to the shareholders:

Cash Dividend of 15% (BD 1,183,623) equals to 15 fils per share

Allocation to charity reserve BD 14,319/-.

Directors' Remuneration & Executive Salaries:

The Board of Directors of the Group has unanimously proposed to distribute the remuneration amounting to BD 104,000 for the year 2022.

Board of Directors' Report

to the Shareholders of Bahrain Cinema Company B.S.C. (Continued...)

In accordance with the Article 188 of Bahrain Commercial Law and amendment decree No.28/2020, the details of salaries, bonuses, share in profits, attendance allowances, representation allowances, expenses, etc. towards administrative, advisory or any other business paid to the Board of Directors during the year 2022 are disclosed as under:

Disclosure forms for the remuneration of members of the Board of Directors and the Executive management in the report of the Board of Directors										
First : Board of directors' remuneration details:										
Name	Fixed remuneration			Variable remuneration						Aggregate amount
	Remunerations of the Chairman and BOD	Total allowance for attending Board and Committee meetings	Salaries	Others*	Total	Remunerations of the Chairman and BOD	Bonus	Incentive plans	Others**	Total
First: Independent Directors:										
1. Ali Yusuf Ali Ubaydli	13,000	4,000	-	-	17,000	-	-	-	-	-
2. Jalal Mohamed Yusuf Jalal	13,000	3,500	-	-	16,500	-	-	-	-	-
3. Mohammed Ebrahim Khalilo Kanoo	13,000	3,000	-	-	16,000	-	-	-	-	-
4. Fareed Yusuf Khalil Almoayyed	13,000	2,000	-	-	15,000	-	-	-	-	-
5. Jihad Yusuf Abdulla Amin	13,000	4,000	-	-	17,000	-	-	-	-	-
6. Shawqi Ali Yusuf Fakhro	13,000	4,000	-	-	17,000	-	-	-	-	-
Second: Non-Executive Directors:										
	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors:										
1. Dr Esam A. Fakhro	13,000	4,000	84,000	-	101,000	-	37,210	-	-	37,210
2. Ahmed A. Rashed Albastaki	13,000	3,500	120,000	15,774	152,274	-	58,915	-	-	58,915
Total	104,000	28,000	204,000	15,774	351,774	-	96,125	-	-	96,125
Note (1) : All amounts are stated in Bahraini Dinars.										
Note (2) : Proposed Board Remuneration for the year 2022 amounting to BD 104,000 is subject to the approval at the AGM.										
Other remunerations:										
* It includes in-kind benefits-specific amount - remuneration for technical, administrative and advisory works (if any).										

Board of Directors' Report

to the Shareholders of Bahrain Cinema Company B.S.C. (Continued...)

The details of the remuneration paid during the year 2022 to the executive management, including salaries, benefits, ESOPs etc. are disclosed as under:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash /in kind remuneration for 2022	Aggregate Amount
Top 6 remunerations for executives including CEO* and CFO**	323,218	74,177	46,708	444,104
Note: All amounts are stated in Bahraini Dinars. * The highest authority in the executive management of the Company ** The Company's highest financial officer				

Acknowledgements:

We would like to extend our gratitude to the Cineco team for their sincere efforts and hardwork and to the board of directors for providing constructive critique on strategic matters and advice on matters requiring domain expertise. As per the recommendation of the shareholders in the last AGM, to recruit more Bahrainis, the Company has selected Mr. Ahmed Abdulbari Abdulla Abdulgaffar as the Assistant CEO and he would be joining the Company w.e.f. 2nd April, 2023. To all our customers, business partners, shareholders, investors, and communities, we greatly value your unwavering partnership and support. It is what has enabled us to emerge stronger.

On behalf of the Board of Directors and the blessing of Almighty God, we would like to express our deep gratitude and appreciation to His Majesty King Hamad Bin Isa Bin Salman Al Khalifa, King of the Kingdom of Bahrain and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander and Prime Minister, for their continuous guidance and constant support. We would like to thank all the Heads and officials from the Ministries and institutions of the Kingdom of Bahrain for their invaluable support extended to the Group.

Conclusion:

At Cineco, responsible corporate conduct is integral to the way we do our business. Our actions are governed by our values and principles which are reinforced at all levels within the company. We are committed to doing things the right way, which includes taking business decisions and acting in ways that are ethical and in compliance with applicable legislation. This is our road to consistent and responsible growth and to creating long-term value for all the stakeholders. Over the years we have taken pride in our ability in delivering the best cinematic experience and the finest services to our patrons. Your confidence in the Group has only encouraged us to constantly challenge our capabilities and surpass the experience brought to the customers.

In the coming years, the Group will continue to focus on countering the adversities faced in the past few years and explore new revenue streams for the Group such that the success of the Group is not solely depended on its core business. The world around us is changed and so is the approach of your Group and we remain optimistic for the future business prospects.

Yours sincerely,



Dr. Esam Abdulla Fakhro
CHAIRMAN



Ahmed A. Rashed Albastaki
MD/CEO

Team MANAGEMENT

Management Team

15

Corporate Governance Report

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Management Team



Mrs. Karima Farhad
Chief Administrative Officer



Mr. Karnam Yugandhar
Chief Financial Officer



Mrs. Rachita Chauhan
Company Secretary & Corporate Affairs



Mr. Sunil Bayalan Balan
Chief Operating Officer (Cinemas)



Mr. Jürgen Geier
Chief Projects and Development Officer

Corporate Governance Report for the year 2022

POLICY

Bahrain Cinema Company B.S.C. ("Company") is deeply committed to observe the highest standards of Corporate Governance and ethics throughout all the levels of the organization. The Company has a well-established Corporate Governance Policy and Procedure guided by the laws, regulations and best practices to promote effective control, transparency and accountability.

The Company regularly disseminates information of public interests such as annual reports, disclosure of financial statements, disclosure of any material information, notices of the General Meeting and other relevant information to enable the stakeholders to be abreast with the latest development pertaining to the Company.

The Company's Corporate Governance framework is prepared pursuant to the Corporate Governance Code issued by Ministry of Industry and Commerce (MOIC), the Commercial Companies Law and Regulations ("CCL"), regulations of the Central Bank of Bahrain as stipulated in Volume 6 of its Rulebook- High level Controls (module HC) and the laws, regulations and related guidelines of Bahrain Bourse.

The Board of Directors of the Company is responsible for overseeing the adherence to the rules and regulations to achieve Corporate Excellence and encourages the organization to commit to the best governance practices within the corporate culture.

CORPORATE GOVERNANCE DEVELOPMENTS DURING THE YEAR, 2022

INITIATIVES 2022

- The evaluation process for the Board and Board Committees was conducted to assess the efficacy and adequacy
- The Board reviewed the independence of Directors and took declaration of directorship from the directors as per the regulatory requirements
- The Company conducted the first Investors' Conference in August 2022 to discuss the half yearly financial results and future opportunities with the shareholders and the investors.
- The Company has assigned a dedicated section on its website for "Investor Relation" to communicate with the shareholders and ensure the accessibility of the information.
- The Company has engaged a Consultant to formulate ESG framework for the Company and assist in ESG reporting. A comprehensive ESG report will be published in 2023.

SHAREHOLDING AND OWNERSHIP STRUCTURE

SHARE CAPITAL AND MAJOR SHAREHOLDERS AS ON DECEMBER 31, 2022:

The existing share structure of the Company consists of only ordinary shares and there are no different classes of ordinary shares. The shares of the Company are listed on Bahrain Bourse and the face value of the share is 100 fils per share. All the shares are fully paid.

Corporate Governance Report

for the year 2022 (Continued...)

DISTRIBUTION OF OWNERSHIP BY NATIONALITY

Nationality	Individual	Corporate	Government/ organization	Total shares	Percentage
Bahraini	53,219,498	27,901,099	484,783	81,605,380	98.77%
Arab	604,239	66,900	-	671,139	0.81%
Foreign	346,931	-	-	346,931	0.42%
TOTAL	54,170,668	27,967,999	484,783	82,623,450	100%

The major shareholders (5% or above) of the Company as on 31st December, 2022 are as follows:

NAME	NATIONALITY	NUMBER OF SHARES	%OF HOLDINGS
1. Dr. Esam Abdulla Fakhro	Bahraini	4,789,244	5.80%
2. Bahrain Family Leisure Company BSC	Bahraini	4,149,137	5.02%

DISTRIBUTION OF OWNERSHIP BY SIZE (Number of Shares)

No.	Shareholding (shares)	No. of shareholders	Number of shares held	Shareholding %
1	<50,000	438	5,124,451	6.20%
2	50,001 to 500,000	115	16,840,143	20.38%
3	500,001 to 5,000,000	47	60,658,856	73.42%
4	>5,000,000	-	-	-

OWNERSHIP OF THE BOARD OF DIRECTORS

Names of Directors	Type of Shares	Number of shares
Dr. Esam Abdulla Fakhro	Ordinary	4,789,244
Mr. Ahmed A. Rashed Albastaki	Ordinary	1,865,861
Mr. Ali Yousif Ubaydli	Ordinary	-
Mr. Jalal Mohamed Jalal	Ordinary	482,658
Mr. Mohamed Ebrahim Kanoo	Ordinary	358,094
Mr. Fareed Yousif Almoayyed	Ordinary	475,781
Mr. Jehad Yousif Amin	Ordinary	2,008,339
Mr. Shawqi Ali Fakhroo	Ordinary	712,555
Total		10,692,532

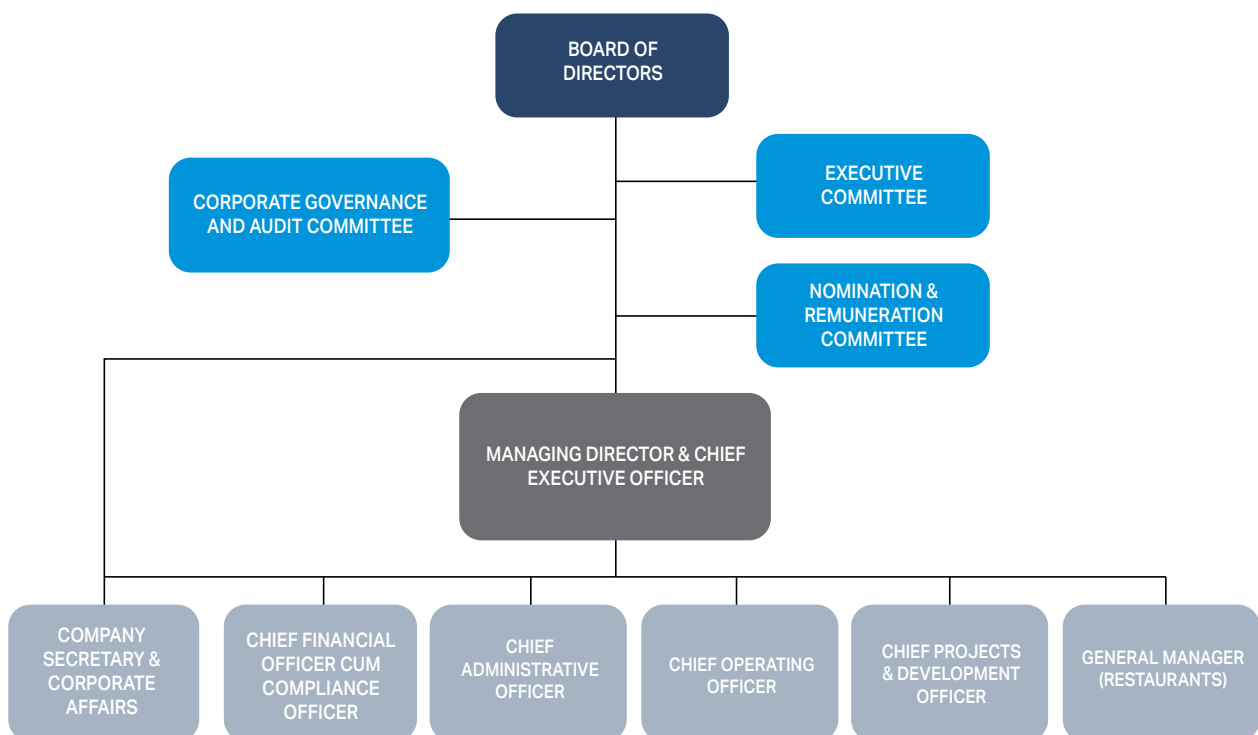
Corporate Governance Report

for the year 2022 (Continued...)

DIRECTORS (INCLUDING THEIR CONNECTED PERSONS) TRADING DURING 2022:

Name of Director	Position/ Kinship	Shares held at 31-12-2021	Purchase/ Transfer	Sale/ Transfer	Shares held at 31-12-2022
Mr. Jehad Yousif Amin	Director	2,000,000	8,339 (18-01-2022)	-	2,008,339

ORGANISATIONAL STRUCTURE



BOARD OF DIRECTORS

The Board consists of experienced individuals and is comprised in accordance with the rules set out in the Commercial Companies Law and in compliance with HC-1.4.4 of Volume 6 of the CBB Rulebook, where at least half of the Company's Board consists of non-executive directors and at least three (3) of those persons are independent directors.

Corporate Governance Report

for the year 2022 (Continued...)

The Board of Directors of the Company is responsible for the formulation and overseeing the implementation of organizational goals, policies and plans. The Board is led by the Chairman who is responsible for overall functioning of the Board. The ultimate objective of the Board is to ensure that the operations of the Company are conducted in a fair and transparent manner for the ultimate benefit of the shareholders. The Board also outlines the roles and responsibilities of the Committees and the executive management.

DIRECTORS' PROFILES

Dr. Esam Abdulla Fakhro- Chairman

Nationality	Bahraini
Experience	48+ years
Year of first election as a director	1984
Expiry of the present term	2025
Board Memberships in Other Companies	
Chairman	Abdulla Yousif Fakhro & Sons
Deputy Chairman	Qatar Bahrain International Cinema WLL
Deputy Chairman	Cineco (Qatar)
Deputy Chairman	National Bank of Bahrain
Chairman of Executive Committee	National Bank of Bahrain
Executive Director	General Trading & Food Processing Co BSC(Trafco)
Director	Trafco Logistics Company
Board Director	Bahrain Live Stock Company
Chairman	Business International (Xerox)
Chairman	Fakhro Electronics
Board Director	Fakhro Restaurants Company (McDonald's)
Chairman	Budget Rent – A Car (Bahrain)
Chairman	Fakhro Insurance Services Co.
Board Director	Fakhro Shipping
Chairman	Go Rent A Car (Qatar)
Chairman	Fakhro Motors (BYD)
Chairman	Access Telecom (Dubai)
Chairman	Kingdom Investments SPC
Chairman	Bahrain Islamic Bank B.S.C (BisB)
Chairman	Jouri Gardening
Honorary Chairman	VOX Cineco Cinemas Company WLL
Chairman	Mezan Investment Limited(Dubai)

Mr. Ahmed A. Rashed Albastaki -Managing Director and CEO

Nationality	Bahraini
Experience	40+ years
Year of first election as a director	2017
Expiry of the present term	2023
Board Memberships in Other Companies	
Managing Director & General Manager	Qatar Bahrain International Cinema WLL
Director	VOX Cineco Cinemas Company WLL
Director	Burooj Property Development & Trading Company WLL
Director	Abdulrahman Rashed Albastaki & Sons Company W.L.L

Corporate Governance Report

for the year 2022 (Continued...)

Mr. Ali Yousif Ubaydli- Vice- Chairman

Nationality	Bahraini
Experience	55+ years
Year of first election as a director	1967
Expiry of the present term	2025
Board Memberships in Other Companies	
Chairman	Trans Gulf Consult
Managing Director	Yousuf Ali Ubaydli WLL
Managing Director	Yousuf Ali Ubaydli Ventures WLL
Director	Royal University for Women
Director	The Malls Real Estate Company
Director	Paradise Reality Holding Company BSC (c)

Mr. Jalal Mohamed Jalal- Director

Nationality	Bahraini
Experience	48+ years
Year of first election as a director	1982
Expiry of the present term	2025
Board Memberships in Other Companies	
Managing Director	Mohammed Jalal & Sons Group of Companies
Hon. Chairman	Gulf Business Machines
Chairman	Bahrain Business Machines
Director	Awal Readymix Concrete Co
Director	Bahrain Duty Free Company
Director	BIADCO
Managing Director	Awal Printing Press
Director	Bahrain Philanthropic Society
Director	Tullett Liberty (Bahrain) Co. WLL

Mr. Mohammed Ebrahim Kanoo- Director

Nationality	Bahraini
Experience	57+ years
Year of first election as a director	1986
Expiry of the present term	2025
Board Memberships in Other Companies	
President & Chairman	Ebrahim Khalil Kanoo B.S.C. (c)
Director	The Royal University for Women BSC (c)

Mr. Fareed Yousif Almoayyed- Director

Nationality	Bahraini
Experience	43+ years
Year of first election as a director	1992
Expiry of the present term	2025
Board Memberships in Other Companies	
Deputy Chairman	Y.K.Almoayyed & Sons B.S.C (c)
Deputy Chairman	Y.K.Almoayyed & Sons Properties Co WLL
Deputy Chairman	Ashrafs
Chairman	Bahrain Property Management
Director	Bahrain Foundation Construction Co.
Director	Crown Industries
Director	Fareed Almoayyed & Sons Co. W.L.L.
Deputy Chairman	National Concrete Company W.L.L.

Corporate Governance Report

for the year 2022 (Continued...)

Mr. Jehad Yousif Amin- Director

Nationality	Bahraini
Experience	38+ years
Year of first election as a director	1998
Expiry of the present term	2025
Board Memberships in Other Companies	
Director	Bahrain National Holding Company B.S.C
Member-Executive &Investment Committee	Bahrain National Holding Company B.S.C
Member- Nominations, Remuneration & Corporate Governance Committee	Bahrain National Holding Company B.S.C
Director (Representing BNH Co.)	Bahrain National Insurance Company B.S.C(c)
Member-Executive and Investment Committee	Bahrain National Insurance Company B.S.C(c)
Director (Representing BNH Co.)	United Insurance Company B.S.C
Member-Executive and Investment Committee	United Insurance Company B.S.C
Director	TRAFICO Group B.S.C
Member- Executive Committee	TRAFICO Group B.S.C
Member-Nomination,Remuneration Committee	TRAFICO Group B.S.C
Director	BMMI B.S.C
Vice-Chairman- Executive Committee	BMMI B.S.C
Chairman- Investment Committee	BMMI B.S.C
Member-Nomination,Remuneration Committee	BMMI B.S.C.
Vice Chairman (Representing BMMI)	Banader Hotels Company BSC
Member-Nomination,Remuneration Committee	Banader Hotels Company BSC
Director	Bahrain Live Stock B.S.C (c)
Member-Executive Committee	Bahrain Live Stock B.S.C (c)
Director	Bahrain Duty Free Company
Member-Investment Committee	Bahrain Duty Free Company

Mr. Shawqi Ali Fakhroo- Director

Nationality	Bahraini
Experience	45+ years
Year of first election as a director	2008
Expiry of the present term	2025
Board Memberships in Other Companies	
Director	Zallaq Resort Co. BSC
Chairman-Audit and Compliance Committee	Zallaq Resort Co. BSC
Vice Chairman	BMMI BSC
Chairman – Executive Committee	BMMI BSC
Director	Bahrain Kuwait Insurance BSC
Vice Chairman- Audit Committee	Bahrain Kuwait Insurance BSC
Chairman & Managing Director	Ali Bin Yousif Fakhroo & Sons W.L.L
Chairman & Managing Director	Shawki Ali Fakhroo & Sons W.L.L
Chairman	Mohammed Fakhroo & Bros W.L.L
Chairman & Managing Director	Fakhroo Trading Agencies W.L.L
Chairman & Managing Director	Fakhroo Investment W.L.L
Chairman & Managing Director	Areej Trading Establishment W.L.L.
	Amwaj Water Equipment W.L.L.
	(Subsidiaries of Fakhroo Investment W.L.L.)
Chairman	Fakhroo Information Technology Services W.L.L.
Chairman	Shutdown Maintenance Services W.L.L
Member-Board of Trustees	Alosra Charitable Foundation
Member-Board of Trustees	Yusuf Abdulrahman Fakhro Charitable Foundation
Director	Bahrain Philanthropic Society
Chairman- Investment Committee	Bahrain Philanthropic Society

Corporate Governance Report

for the year 2022 (Continued...)

STATUS OF BOARD OF DIRECTORS

The terms Independent, non- independent, executive and non-executive are interpreted as per the definitions given for those terms under the Corporate Governance Code issued by the Ministry of Industry and Commerce. The independence of directors is reviewed annually as per the criteria mentioned in the Corporate Governance Code.

Name of the Director	Designation	Executive/ Non-executive	Independent/ Non-independent
Dr. Esam Abdulla Fakhro	Chairman	Executive	Non-Independent
Mr. Ahmed A. Rashed Albastaki	Managing Director and Chief Executive Officer	Executive	Non-Independent
Mr. Ali Yousif Ubaydli	Vice- Chairman	Non- executive	Independent
Mr. Jalal Mohamed Jalal	Director	Non- executive	Independent
Mr. Mohamed Ebrahim Kanoo	Director	Non- executive	Independent
Mr. Fareed Yousif Almoayyed	Director	Non- executive	Independent
Mr. Jehad Yousif Amin	Director	Non- executive	Independent
Mr. Shawqi Ali Fakhroo	Director	Non- executive	Independent

MEMBERSHIP STATISTICS BY GENDER

The Board Directors of the Company does not have any representation by a female member. The Board is 100% represented by the male members.

REMUNERATION POLICY OF BOARD OF DIRECTORS

The Board is remunerated in accordance with Article 188 of Commercial Companies Law No.21 of 2001. The Board of directors is paid sitting fees for their attendance in the Board and the Committee meetings. The annual salary of the directors is approved by the shareholders in the Annual General Meeting.

AGGREGATE REMUNERATION TO BOARD OF DIRECTORS

Remuneration paid to the Directors for the financial year ended 31 December 2021 was BD 104,000 as approved in the Annual General Meeting.

The proposed remuneration to be paid to the Directors for financial year ended 31 December, 2022 subject to the shareholders' approval in the upcoming Annual General Meeting is BD 104,000.

BOARD PROCEDURE

The Board procedure is detailed in the Charter of the Board. The Board Secretary is responsible for circulating the agenda and the supporting documents to the directors and recording the minutes.

MANDATE AND THE SPECIFIC RESPONSIBILITIES OF THE BOARD INCLUDE:

- Ensuring integrity and fairness in preparation and reporting of the financial and accounting system, existence of well-defined internal control system, independence of audit and the system to ensure the compliance of Laws and Regulations
- Overseeing the direction and management of the Company in accordance with Commercial Companies Law and other Rules and Regulations promulgated by the Government of Bahrain and the Central Bank of Bahrain
- Ensure that financial statements are free from errors and frauds
- Recommendation of dividend payable to the shareholders



Corporate Governance Report

for the year 2022 (Continued...)

- Periodical review of the Succession Plans of CEO and other members of the management who are directly reporting to CEO
- Monitoring the performance of the executive management to ensure that the executives are compensated fairly
- Govern the management by issuing rules and formulating policies and procedures
- Evaluate the feasibility and selection of new projects
- Ensure judicious allocation of resources to achieve the goals enshrined in the Corporate Strategy Plan
- Reviewing the credit limits with the Banks
- Periodic evaluation of the operational performance of the company and give instructions for improvement
- Reviewing charitable projects

MATERIAL TRANSACTIONS REQUIRING BOARD APPROVAL:

- Approval of financial statements
- Approval of Policies and Procedures for the Company
- Appointment of MD/CEO of the Company
- Approval of Budgets, Capital Expenditure Budget, major contracts, diversification plans/ divestment
- Approval for acquiring or selling patent rights, trade marks, licenses or other intellectual property rights
- Approval of investment above the authorized threshold limit of the Executive Committee
- Approval of Corporate Strategy Plan
- Optimum allocation of resources among various functions to attain the goals of the Company

ELECTION OF DIRECTORS

Articles 175 and 176 of the Bahrain Commercial Companies Law and Article 27 of the Articles of Association of the Company enumerates the procedure for election of directors. The Nomination and Remuneration Committee after careful assessment of the candidate's experience and competence makes recommendation to the Board. The shareholders of the Company have ultimate authority to elect the members of the Board in the Annual General Meeting of the Company. The directors are elected for a period of three years and may be re-elected for further term/s upon expiration of the three years unless they are disqualified as per the provisions of Bahrain Commercial Law or Articles of Association.

Mr. Ahmed A. Rashed Albastaki was elected in the Annual General Meeting held on 21st April, 2020 and his tenure expires in the year 2023. Therefore, he seeks re-appointment for a further term of 3 years from 2023-2026.

INDUCTION OF NEW DIRECTORS

The Company carries induction programme for the new directors which details the businesses carried by the Company, the subsidiaries and Joint Ventures, introduction to the members of the management team, internal auditors, external auditors, lawyers, etc. to enable them to discharge their duties efficiently. In certain cases, the Company may undertake training program for the directors to provide them with requisite knowledge in entertainment and hospitality industry.

BOARD MEETINGS

The Board meeting may be summoned either by any two directors or by the Chairman/Vice- Chairman of the Company. A duly convened meeting of Board of directors shall be valid if it is attended by the majority of the directors either in person or through a videoconference/phone.

The Company adheres to the H.C. 1.3.3 of the Corporate Governance Code which mandates the Board to convene at least four meetings in a financial year. In addition to the Board meetings, the Board also takes decisions by way of Circular Resolutions for matters of urgency and these resolutions are subsequently ratified in the next Board meeting. The details in respect of the meetings of the Board and the Committees held during the year 2022 and the details of the attendance of the directors and sitting fees are provided hereinunder:








Corporate Governance Report

for the year 2022 (Continued...)


SUMMARY OF MEETINGS OF THE BOARD AND COMMITTEES AND THE ATTENDANCE OF DIRECTORS

Name of the Director	Board			Executive Committee		Corporate Governance and Audit Committee		Nomination & Remuneration Committee		Sub-committee of Executive Committee		Total		
	Total No. of meetings	Meetings attended	% of attendance	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	Total No. of meetings	Meetings attended	% of meetings attended
Dr. Esam Abdulla Fakhro	5	5	100%	4	4			2	2	1	1	12	12	100%
Mr. Ahmed A. Rashed Albastaki	5	5	100%	4	4					1	1	10	10	100%
Mr. Ali Yousuf Ubaydli	5	5	75%	4	4			2	2			11	11	90%
Mr. Jalal Mohamed Jalal	5	5	100%			4	4					9	9	100%
Mr. Mohamed Ebrahim Kanoo	5	4	80%	4	3			2	1			11	8	73%
Mr. Fareed Yusuf Almoayyed	5	3	60%			4	4					9	7	78%
Mr. Jihad Yousif Amin	5	5	100%	4	4			2	2	1	1	12	12	100%
Mr. Shawqi Ali Yusuf Fakhroo	5	5	100%			4	4	2	2			11	11	100%

DATE OF BOARD MEETINGS AND ATTENDANCE DETAILS

DIRECTORS	17/02/2022	27/03/2022	11/05/2022	03/08/2022	08/11/2022	Sitting fees (BD)*
Dr. Esam Abdulla Fakhro (Chairman)	Present	Present	Present	Present	Present	2,000
Mr. Ahmed A. Rashed Albastaki	Present	Present	Present	Present	Present	2,000
Mr. Ali Yousif Ubaydli	Present	Present	Present	Present	Present	2,000
Mr. Jalal Mohamed Jalal		Present			Present	2,000
Mr. Mohamed Ebrahim Kanoo	Absent		Present	Present	Present	2,000
Mr. Fareed Yousif Almoayyed			Absent	Absent		1,000
Mr. Jihad Yousif Amin	Present	Present	Present	Present	Present	2,000
Mr. Shawqi Ali Fakhroo	Present	Present	Present	Present	Present	2,000
						15,000

*No sitting fees were paid for the meeting held on 17th February, 2022.

 represents meeting attended through videoconferencing or phone

Corporate Governance Report

for the year 2022 (Continued...)

BOARD COMMITTEES

The Board has constituted various Committees for effective governance in the Company in order to attend to the more pressing matters of operation of the Company. The Committees are constituted in line with the requirements of the Law. The performance of the committee is evaluated annually and the minutes of the committee meetings are taken on record at the Board meeting of the Company.

EXECUTIVE COMMITTEE

Dr. Esam Abdulla Fakhro is the Chairman of the Executive Committee. The Executive Committee currently comprises of five directors. The Company has a well-defined Charter of the Executive Committee which defines the responsibilities assigned to the Committee.

Functions of the Executive Committee

- Approving the Budgets and changes therein for each financial year and reviewing performance against those budgets and key performance indicators
- Reviewing the policies with regards to risk, asset and liabilities
- Analyzing and approving the Corporate Strategy Plan for every financial year before presenting the same to the Board
- Invest the surplus funds on the basis of the Investment Policy and evaluate the performance of each investment vis-à-vis the expected Return on Investment

In accordance with the terms of Charter of the Executive Committee, the minimum number of Executive Committee meeting is three in a year. The actual number of meetings of Executive Committee held during the year is four. The detail of the composition of the Executive Committee, attendance and sitting fees of the members in the meetings are tabled below:

DATE OF MEETINGS AND ATTENDANCE DETAILS

MEMBERS	30/01/2022	15/06/2022	21/09/2022	07/12/2022	Sitting fees (BD)*
Dr. Esam Abdulla Fakhro (Chairman)	Present	Present	Present	Present	1,500
Mr. Ahmed A. Rashed Albastaki	Present	Present	Present	Present	1,500
Mr. Ali Yousif Ubaydli	Present	Present	Present	Present	1,500
Mr. Mohamed Ebrahim Kanoo	Present	Present	Absent	Present	1,000
Mr. Jehad Yousif Amin	Present	Present	Present	Present	1,500
					7,000

*No sitting fees was paid for the meeting held on 30th January, 2022

The Company also has a Sub Committee of Executive Committee comprising of three members, chaired by Dr. Esam Abdulla Fakhro to assist the Executive Committee and to make recommendations on matters of urgent nature. In the year, 2022, one meeting of the Sub Committee of Executive Committee was held on 06/11/2022 and was attended by all the members.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination & Remuneration Committee currently comprises of five directors chaired by Dr. Esam Abdulla Fakhro. The Charter of the Nomination & Remuneration Committee describes the specific responsibilities assigned to this Committee.

Corporate Governance Report

for the year 2022 (Continued...)

Functions of the Nomination and Remuneration Committee

- Recommend to the Board any change in the Job description of senior management, if required
- Review and approval of Succession Plans of senior management before the plans is presented to the Board for approval
- Ensure that adequate Policies and procedures are in place for the evaluation of the performance of executive management
- Review of remuneration and sitting fees of the directors and making recommendations to the Board about their decisions
- Evaluate the balance of skills, knowledge and experience on Board, prepare description for every appointment, identify, nominate to the Board as and when Board vacancies arise

The charter of the Nomination & Remuneration Committee stipulates minimum of two meetings in a year and two meetings were held during the year 2022. The detail of the composition of the Nomination and Remuneration committee, attendance and sitting fees of the members is mentioned in the following table:

DATE OF MEETINGS AND ATTENDANCE DETAILS

MEMBERS	30/01/2022	21/09/2022	Sitting fees (BD)*
Dr. Esam Abdulla Fakhro (Chairman)	Present	Present	500
Mr. Ali Yousif Ubaydli	Present	Present	500
Mr. Mohamed Ebrahim Kanoo	Present	Absent	0
Mr. Jehad Yousif Amin	Present	Present	500
Mr. Shawqi Ali Fakhroo	Present	Present	500
			2,000

*No sitting fees was paid for the meeting held on 30th January, 2022

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

The Corporate Governance and Audit Committee currently comprises of three directors, chaired by Mr. Shawqi Ali Fakhroo. The duties of the Corporate Governance and Audit Committee are:

- Review and approve the integrity of interim and annual financial statements before presenting the same to the Board
- Analyze impact of any change in Accounting Standards on the financial statements
- Examine and review the internal control system and submit a written report on its opinion and recommendations on an annual basis
- Discuss the significant observations of external and internal Auditors and the response from the management
- Consider and recommend to the Board the appointment, resignation or dismissal of the external and internal auditors of the Company and the audit fee








Corporate Governance Report

for the year 2022 (Continued...)


- Review the compliance of the Company with the legal requirements
- Discuss the significant accounting and financial policies and reporting issues for the financial year
- Ensure existence of appropriate policies, procedures, systems, internal controls and guidelines in the Company
- Review the risk management and internal audit functions
- Review and discuss the efficiency of the internal audit staff, internal control procedures, compliance control, any risk management systems and any changes therein
- Discuss the management letter of external auditors

The charter of the Corporate Governance and Audit Committee stipulates to convene at least four meetings in a year and during the year 2022, four meetings of the Corporate Governance and Audit committee were held. The details of the composition of the Corporate Governance and Audit Committee, attendance and sitting fees of the members in the meetings are tabled below:

DATE OF MEETINGS AND ATTENDANCE DETAILS

MEMBERS	14/02/2022	11/05/2022	02/08/2022	07/11/2022	Sitting fees (BD)*
Mr. Shawqi Ali Fakhroo (Chairman)	Present	Present	Present	Present	1,500
Mr. Jalal Mohamed Jalal				Present	1,500
Mr. Fareed Yousif Almoayyed					1,500
					4,500

*No sitting fees was paid for the meeting held on 14th February, 2022

 represents meeting attended through videoconferencing or phone

CODE OF CONDUCT/ CODE OF ETHICS

The Company has the Code of Conduct/Code of Ethics policy narrating the standards expected from every employee of the Company.

- The employees are not supposed to disclose the confidential information about the Company either during or after the service to any outside person/entities
- The Company will not disclose the information about the customers/business associates to any other person/entities
- Company has to act on the customers' complaints promptly and courteously
- Each and every employee should protect the assets of the Company
- No employee should take bribe from any outside person on behalf of the Company

Corporate Governance Report

for the year 2022 (Continued...)

COMPLIANCE

The Chief Financial Officer is also the Compliance Officer of the Company. The Company strives to adhere to the rules and regulations applicable to the Company and there was no instance of any procedural non-compliance of any provisions of the applicable Law. The Company has a well-defined Compliance Policy Manual which elaborately covers the compliance procedure and functions. Some of the salient features of Compliance Manual are described below:

- Independence of compliance function
- The responsibility of the compliance function
- Cooperation with the regulators
- Monitoring and reporting of the functions
- Relationship with internal audit
- Relationship with other departments.

The Compliance Officer is responsible to assess the compliance risks associated with the Company's business activities and assist the MD/CEO to effectively manage and mitigate compliance risks faced by the Company. The Board of Directors has the responsibility to oversee the management of the compliance risk of the Company.

CONFLICT OF INTEREST

The Company has a strict policy for Conflict of Interest. Every director and employee is obligated to declare his actual, perceived or potential conflict of interest. A director shall refrain from discussion and voting in the matters in which he is interested so that the decisions taken are fair and free from any prejudice. During the year 2022, there was no instance of abstention of any director from voting due to conflict of interest.

If there is a potential conflict of interest of any director in a particular transaction, then advance approval from disinterested directors will be received before the motion is put forth for the deliberation and voting. The fact of interested director(s) is recorded in the minutes.

RELATED PARTY TRANSACTIONS

All related party transactions are done on an arm's length basis and approved by the management of the Company. No employee or director or member of executive management in possession of material information which is not available to the public can trade in the shares of the Company. Please refer Note No: 33 of the financial statements for the details of related party transactions.

INTERNAL CONTROL

The Company has a well-placed Internal Control system for financial and non-financial controls. The management of the Company is responsible for monitoring the implementation of the adequacy of the internal control system in the organization. The Corporate Governance and Audit Committee periodically evaluate the adequacy of the Internal Control systems.



Corporate Governance Report

for the year 2022 (Continued...)

THE ROLES OF THE CHAIRMAN AND EXECUTIVE MANAGEMENT

The Chairman is responsible for providing a roadmap and strategic direction to the management to achieve the organization goals and his responsibility include minimum of those that are mentioned in the Corporate Governance Code. The executive management is responsible for the financial and operational performance of the Company. The duties and responsibilities of the Chairman are segregated from those of the Chief Executive Officer. Furthermore, the duties and responsibilities of all departmental heads are also well-defined.

SUCCESSION PLANS

The Company has formulated the Succession Plans for CEO and all head of departments i.e., CAO, CFO, COO, CPDO and General Manager-Restaurants to ensure uninterrupted operations and high level of efficiency of executive management without being affected by short term and long term absence of executive personnel. The Board annually reviews adequacy of Succession Plans to ensure that the Succession plans are in line with the requirements of the Company.

KEY PERSON DEALING POLICY

The Company has formulated Key Person Dealing Policy. The main purpose of this Policy is to prevent the abuse of insider information. The Compliance Officer is vested with the responsibility of compliance of the latest Key Person trading regulations stipulated by Bahrain Bourse. During the year 2022, the Company has duly filed all forms and documents required to be filed with Bahrain Bourse/ Bahrain Clear.

PERFORMANCE EVALUATION

In accordance with Principle 4 of the Code and H.C.8.3.9 of the High Level Controls, the Nomination and Remuneration Committee has completed the evaluation of the efficacy of the Board, Board Committees and the members for the financial year 2022 as below:

- i. Directors of the Board have done self- evaluation as a director and as a member of each committee to assess themselves vis-a-vis the requirements.
- ii. Evaluation of the Board by each director has been done to assess the functioning of the Board.
- iii. Evaluation of each committee by each member of the respective committee has also been done for the financial year 2022 to ensure that the respective Committee functions to accomplish its specific purposes and responsibilities that are assigned to it.
- iv. The Chairman of the Board and the Chairman of each committee have done self-performance evaluation in order to continue to function with high level of efficiency.

WHISTLE BLOWER POLICY

The Company has established Whistle Blower Policy in terms of its Corporate Governance Policy. The employees may report any violation of rules, regulations or any provisions of law or any unethical behavior to their immediate boss or to the person designated by the Company in this regard. The report will be confidential, un-bias and will not be subjected to any discriminatory practices.

Corporate Governance Report

for the year 2022 (Continued...)

CEO & CFO CERTIFICATIONS

CEO & CFO of the Company have certified that interim and final accounts of the Company present true and fair view of state of affairs of the Company and do not contain any material misstatement. These certifications have been given both to the Corporate Governance and Audit Committee as well as to the Board during the financial year 2022.

MEANS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

- All the directors are generally present in the Annual General Meetings and Extra-ordinary General meetings to answer the questions raised by any attendant as the Company is statutorily obliged to comply with the Regulations and Laws regarding dissemination of information.
- The Company has appointed Bahrain Clear as the Registrar and Share transfer agent and KFin Technologies (Bahrain) WLL (KFTWLL) as the sub-registrar and the Board of directors of the Company recommended their reappointment for the financial year 2022.
- The Company discloses relevant information, quarterly and annual financial results on the Bahrain Bourse and Company's website. The Company has a dedicated section for Investor Relation in accordance with the requirements of the Code.
- CFO will be the point of contact with Bahrain Bourse and CBB.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE, 2018 ISSUED BY THE MINISTRY OF INDUSTRY AND COMMERCE (MOIC)

Details of Corporate Governance Officer

The Company appointed Mr. Ahmed A. Rashed Albastaki, as the Corporate Governance Officer of the Company in the year 2018. Mr. Ahmed A. Rashed Albastaki has been leading the operations of Bahrain Cinema Company for more than three decades and he has expertise in entertainment and restaurant industry.

EXTERNAL AUDITORS- Profile of the statutory auditors of the Company

Name of the audit firm	BDO
Years of service as the Company's external auditor	Since 2002, 21 years
Name of the partner in charge of the Company's audit	Mr. Nath Venkitachalam
The partner's year of service as the partner in charge of the Company's audit	Three years
Total audit fees for the financial year 2022	The information is kept at the corporate office and will be produced upon request, after the approval of the Board of Directors
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2022	None

Corporate Governance Report

for the year 2022 (Continued...)

COMPLIANCE WITH THE CODE AND CBB RULEBOOK

Principle	Non-Compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board	-	Yes	-	-
Principle 2: The directors and executive management shall have full loyalty to the Company.	-	-	Yes	-
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.	-	-	Yes	-
Principle 4: The Company shall have effective procedures for appointment, training and evaluation of directors	-	Yes	-	-
Principle 5: The Board shall remunerate directors and senior officers fairly and responsibly.	-	Yes	-	-
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.	-	-	Yes	-
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.	-	-	Yes	-
Principle 8: The Company shall disclose its corporate governance	-	-	Yes	-
Principle 9: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors	-	-	Yes	-
Principle 10: The Company shall seek through social responsibility to exercise its role as a good citizen,	-	-	Yes	-
Principle 11: Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a	N.A	N.A	N.A	N.A

Corporate Governance Report

for the year 2022 (Continued...)

Bahrain Cinema Company B.S.C. currently complies with all the provisions of the Corporate Governance Code and High Level Controls (Corporate Governance) issued by CBB with the exception of following:

Principle 1 of the Code and HC1.4.5 of the High Level Controls: The Company shall be headed by an effective, qualified and expert board

The Company's Chairman of the Board of Directors shall be an independent director and that he shall not be the Company's CEO. The Chairman of the BOD is a non-independent director but he is not the Company's CEO. However, this does not dilute the highest standards of corporate governance that the company maintains in business transactions and management of conflict of interest in Board decisions. Therefore, Dr. Esam Abdulla Fakhro's status of non-independence does not impair his ability to exercise judgment free from personal conflict of interest.

Principle 4 of the Code: The Company shall have effective procedures for appointment, training, and evaluation of the directors

Principle 4 requires that the Nomination Committee ("NC") consists of at least 3 directors, all of whom are independent or non-executive. The Nomination Committee ("NC") consists of five directors. Out of five directors, four directors are independent and non-executives and one director is non-independent and non-executive. The Chairman of committee is not an independent director. However, this does not dilute the highest standards of corporate governance that the company maintains for effective discharge of duties for appointment, training, and evaluation of the directors.

Principle 5 of the Code: The Company shall remunerate directors and senior officers fairly and responsibly

Principle 5 requires that Remuneration Committee ("RC") consists of at least 3 directors, the majority of whom are independent or non-executive and that the Chairman is an independent director. The Remuneration Committee ("RC") consists of five directors and the majority of them are independent and non-executive. However, the Chairman of committee is not an independent director but this does not dilute the highest standards of corporate governance that the company maintains in respect of fairly remunerating the directors and senior officers.

HC 1.3.6 of the High Level Controls: No director of the Company shall hold more than 3 directorships in Public Companies

Mr. Jehad Yousif Amin, Director of the Company holds more than three directorships in Bahraini Public shareholding companies but his directorships in more than three Bahraini Public shareholding Companies does not dilute the sanctum sanctorum of the interests of the Company and does not affect the effectiveness and efficiency of the Board as he is an active member of the Board and provides required attention in discharge of his responsibilities as a director of the company and there exists no conflict of interest between his directorships in other Companies and his directorship in BCC.



Corporate Governance Report

for the year 2022 (Continued...)

HC 4.2.2 and HC 5.3.2 of the High Level Controls: The Chairman of the Nomination and Remuneration Committee should be an Independent Director

Dr. Esam Abdulla Fakhro is a non-independent director as the Company has business transactions with the entities in which Dr. Esam Abdulla Fakhro is a director. However, this does not dilute the highest standards of corporate governance that the company maintains. Therefore, Dr. Esam Abdulla Fakhro's status of non-independence does not impair his ability to exercise judgment free from personal conflict of interest.

HC 1.3.7 of the High Level Controls: the Board members to attend atleast 75% of all the Board meetings in a financial year

The attendance of Mr. Fareed Yousif Almoayyed (Director) in the Board meeting held during the year 2022 was 60%. In adherence to HC 1.3.10, the Company had duly intimated CBB about his level of attendance and circumstances affecting his non-attendance.

HC 1.3.5 of the CBB Rule Book Volume 6 relating to Corporate Governance requires that the Board must have no more than 15 members and no less than 5 members considering the representation of women and men in the formation of the Board. As of 31 December 2022, Bahrain Cinema has no women representation in the Board. However, we are committed to ensure Women representation in the Board through next election cycle.

Details regarding remuneration paid to executive personnel are disclosed in the Board report and profiles of senior managers and the shareholding of senior managers may be obtained from the Company by making request for the same subject to the approval of the Chairman.

The details regarding fees paid to auditors for audit services and non-audit services can be obtained from the Corporate Office of the Company.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Bahrain Cinema Company (BCC) has always been committed to engage with the community and serve a purpose that goes beyond making only profits and enhancing shareholders' value. The Company truly believes that the corporate cannot thrive on its own and corporate actions not only affect the Company and the stakeholders but the society and the environment at large.

The Company has a well-established Corporate Social Responsibility Committee which is responsible for undertaking and reviewing the corporate social responsibility initiatives, sustainability and charities periodically.

The Company regularly grants donations to the Charitable Institutions, Charity Funds and partners with non-government organizations (NGOs). The contributions made by the Group are expended for the following CSR activities: (1) improvement of health care facilities in the Country, (2) educational development of youth and children, (3) caring senior citizens, orphans, destitute and indigents, (4) edification of the society by spreading awareness about Islam, (5) promotion of sports & culture, (6) mother care, (7) welfare of the people affected by war, (8) environment sustainability, and (9) promotion of art and culture.

REGULAR CHARITABLE ACTIVITIES

Religion & Arab Culture

The Company also has the policy of sponsoring pilgrimage to Holy Makkah to the Muslim employees under Employee Gift Scheme.

Corporate Governance Report

for the year 2022 (Continued...)

Development of Bahraini Youth and Children

- The Company offers employment opportunities to University students and other deserving Bahraini Youths to enable them to earn while learning. This will enable them to have hands on experience of application of theoretical knowledge.
- Education is the bed rock of the culture and is a path way to progress. Therefore, Company is constantly sponsoring training programme to Bahraini employees under Tamkeen programme to nurture the home grown talent.
- The Company provides concessional/free tickets to the differently abled persons, orphans and the school children.
- Advertisements for educational and informative purposes and advertisements in the national interest are allowed to be screened free of cost.

Environmental sustainability

The Company has deep values and ethics towards environment sustainability and protection. The Company has been consciously making efforts to ensure reuse and recycle the waste to minimize the amount of waste going to the landfill. In its effort for promoting environmental sustainability, the Company has been using projectors with digital technology instead of Analog Projectors with an aim to reduce the environmental hazard caused by 35mm projector reels.

Accredited Societies, Funds and Institutes who have been the Beneficiaries during the year 2022:

The Holy Quran Custody Society
Riffa Charity Society
Bahrain Deaf Society
Shakhurah Society Charity Fund
Gulf Disability Society
Al Anfal Society
Bahrain Kidney Patients Friendship Society
Good Word Society
Bahrain Down Syndrome Society
Beit Al Qur'an
Children & Mother Welfare Society
Bahrain Sports Deaf Association
Al-Ehsan Welfare Society
Future Society for Youth
Hamad Town Charity Fund
Bahrain Philanthropic Society
Child Care Home
Halaqat Al Mamora

Corporate Governance Report

for the year 2022 (Continued...)

Kerala Catholic Association
Ministry Of Education
Tarbeia Islamic Society
Colors of the East
The National Initiative for Agricultural Development
Telugu Kala Samithi Bahrain
Bahrain Chapter of the Institute Of Chartered Accountants of India (BCICA)
Bahrain Society for S.C.D Patients Care
Al Mabarra Alkhalifa Foundation
Bahrain Cinema Club
Tree of Life Charity Society
Rotary Club of Seef Bahrain
Royal Fund for fallen Servicemen
Royal Humanitarian Foundation
Hope Institute for Special Education
Bahrain and Kuwait Vocational Rehabilitation Centre
Mammootty Fans & Welfare Association Bahrain
Lal cares and Mohanlal Fans Online Unit

Remarkable Charitable Initiatives of the Company during the year 2022:

BCC has been providing donations not only to various Charitable Societies and Funds but also help the individuals in need. The Company has contributed a total amount of BD 15,598 towards various charitable purposes during the year 2022.

Charity Reserve as on 31st December, 2022:

To serve the Society on a bigger scale, BCC had acquired a residential building in the year 2014 with the aim of utilizing the rental income accrued therefrom only for a big Charitable Project by transferring the rental income to the Charity Reserve. As on 31st December, 2022, the Company has BD 312,007 in the Charity Reserve.

Dr. Esam Abdulla Fakhro
Chairman

Date: 16-02-2023

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Consolidated **FINANCIAL STATEMENTS**

For the year ended 31st December 2022





Independent Auditor's Report

to the Shareholders of Bahrain Cinema Company B.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Bahrain Cinema Company B.S.C. ("the Company") and its subsidiary (collectively referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the Code of Ethics for Professional Accountants ("IESBA Code") issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Revenue recognition

Revenue represents income arising from the screening of films rented from other distributors, leisure and amusement related services, advertising income, real estate activities with own or leased property and sale of food and beverages. The Group focuses on revenue as a key performance measure and by default, this area has a fraud risk element and is therefore considered as a significant risk.

Our audit procedures included considering the appropriateness of revenue recognition as per the Group's accounting policies, including those relating to discounts and concessions and assessing operational compliance with these policies. We tested the design and effectiveness of internal controls implemented by the Group throughout the revenue cycle. We also tested sales transactions taking place at either side of the consolidated statement of financial position date to assess whether the revenue was recognised in the correct period. We also performed analytical reviews on revenue taking into account historical trends in monthly sales and the profit margins. These analytics include comparing revenue receipts against cinema attendance statistics.

Valuation of investment properties

The Group has investment properties as disclosed in Note 8 of the consolidated financial statements which forms a material balance in the consolidated financial statements and are subject to changes in fair value. The fair value of the Group's investment properties is based on valuation performed by the Group's management, through their use of independent external experts. Valuation techniques include a combination of using discounted net rental yield and market evidence of transaction prices for similar properties. There is significant measurement uncertainty involved in this valuation.

Independent Auditor's Report

to the Shareholders of Bahrain Cinema Company B.S.C. (Contd...)

Our audit procedures included an assessment of the independence, competence, capabilities and objectivity of management's valuation expert, and a critical evaluation of the appropriateness of the method and assumptions used by the expert.

Valuation of financial assets at fair value through profit or loss

As at 31 December 2022, the Group has investments in both listed and unlisted financial instruments as disclosed in Note 15. Listed financial instruments are fair valued at their quoted price. Management applies significant judgment in the determination of fair values of unlisted investments. Valuation of unlisted financial instruments is achieved using techniques including net asset valuation of the underlying investee companies or the financial information provided by the fund managers. There is significant measurement uncertainty involved in this valuation.

Our audit procedures included testing of the reasonableness of the fair values of the quoted investments with the Bahrain Bourse and other stock markets and unquoted investments based on other techniques adopted by the management. We critically evaluated the valuation techniques used by the management for determining fair values of unquoted investments.

Valuation of the property, plant and equipment and investment in associate

Property, plant and equipment and investment in an associate represents a significant portion of the group's consolidated financial statements. The management applies significant judgment in assessing the requirement for impairment of property, plant and equipment and investment in an associate. The management considers the below factors in its assessment:

- COVID-19 induced pressure on the economy going forward, the estimated growth rates in revenue that reflect the revised projections and market outlook;
- Anticipated revenue from restaurants and cinemas not being achieved in the current and the post-year end periods; and
- Significant estimates used in determining the key assumptions supporting the expected future cash flows, forecasted revenue and discount rates in the overall evaluation of the value in use and recoverable amount of property, plant and equipment and investment in associate.

Our audit procedures included testing of the reasonableness of the recoverable amount of the property, plant and equipment and investment in an associate, based on judgements, assumption and approach adopted by the management. We critically evaluated judgements, assumption and approach used by the management for determining the value in use and recoverable amount of property, plant and equipment and investment in associate and performed sensitivity analyses on the key assumptions used in the model. We also evaluated the completeness and accuracy of disclosure relating to the impairment assessment to assess compliance with the requirements of the relevant accounting standards.



Independent Auditor's Report

to the Shareholders of Bahrain Cinema Company B.S.C. (Contd...)

Other information

Management is responsible for the other information. The other information in the annual report comprises of Chairman's report and Corporate Governance report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

to the Shareholders of Bahrain Cinema Company B.S.C. (Contd...)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with management and TCWG regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide TCWG with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

- (1) we have obtained all the information we considered necessary for the purpose of our audit;
- (2) the Company has carried out stock-taking in accordance with recognised procedures, has maintained proper books of account and the financial statements are in agreement therewith; and
- (3) the financial information included in the Chairman's report is consistent with the books of account of the Company.

Independent Auditor's Report

to the Shareholders of Bahrain Cinema Company B.S.C. (Contd...)

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

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

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or of its Memorandum and Articles of Association, which would materially affect its activities, or its financial position as at 31 December 2022.

BDO



Manama, Kingdom of Bahrain
16 February 2023

Consolidated Statement of Financial Position

of Bahrain Cinema Company B.S.C. as at 31 December 2022

(Expressed in Bahrain Dinars)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,002,194	3,716,409
Capital work-in progress	7	-	1,969,736
Investment properties	8	23,078,000	22,314,085
Right-of-use assets	9	2,450,040	3,082,592
Investment in an associate	11	10,099,872	9,677,134
Non-current portion of receivable on disposal of business operations		-	3,152,351
Financial assets at amortised cost	12	13,968,954	-
Financial assets at fair value through profit or loss	15	10,052,337	9,952,285
		64,651,397	53,864,592
Current assets			
Inventories	13	146,689	153,968
Financial assets at fair value through profit or loss	15	9,414,365	10,204,842
Trade and other receivables	14	4,528,776	4,157,779
Cash and bank balances	16	275,127	3,966,736
		14,364,957	18,483,325
Total assets		79,016,354	72,347,917
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	8,262,345	8,262,345
Share premium	18(i)	911,442	911,442
Revaluation reserve	18(ii)	4,557,442	4,557,442
Statutory reserve	18(iii)	4,131,173	4,131,173
Charity reserve	18(iv)	312,007	305,695
Retained earnings	18(v)	41,902,340	41,956,873
Treasury shares	17	(370,975)	(370,975)
		59,705,774	59,753,995
Non-current liabilities			
Non-current portion of Murabaha facility	19	-	199,645
Non-current portion of term loans	20	7,769,140	-
Non-current portion of lease liabilities	22	2,136,259	2,442,960
Employees' terminal and other benefits	21	925,061	1,437,264
		10,830,460	4,079,869
Current liabilities			
Current portion of Murabaha facility	19	5,178,012	5,546,182
Current portion of term loans	20	331,198	-
Current portion of lease liabilities	22	700,941	1,338,018
Trade and other payables	23	1,311,709	1,629,853
Bank overdrafts	24	958,260	-
		8,480,120	8,514,053
Total equity and liabilities		79,016,354	72,347,917

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



Dr Esam Abdulla Fakhro
Chairman



Ali Yusuf Ali Ubaydli
Vice- Chairman



Ahmed A. Rashed Albastaki
Managing Director

Consolidated Statement of Profit or Loss & other comprehensive income

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022

(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Operating income	31	5,282,838	2,317,011
Operating costs		(4,914,961)	(2,883,411)
Operating gross profit / (loss)		367,877	(566,400)
Income from investments, net	27	2,130,737	2,010,464
Other income	25	667,107	976,632
General and administrative expenses	26	(1,812,886)	(963,742)
Finance costs	28	(202,154)	(244,425)
Net profit and other comprehensive income from continuing operations		1,150,681	1,212,529
Loss on discontinued operations	10	(7,196)	(169,339)
Net profit and other comprehensive income for the year		1,143,485	1,043,190
Basic earnings per share	29	Fils 14	Fils 13

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



Dr Esam Abdulla Fakhro
Chairman



Ali Yusuf Ali Ubaydli
Vice- Chairman



Ahmed A. Rashed Albastaki
Managing Director

Consolidated Statement of Changes in Shareholder's Equity

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022

(Expressed in Bahrain Dinars)

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Charity reserve	Retained earnings	Treasury shares	Total
At 31 December 2020		8,262,345	911,442	4,557,442	4,131,173	310,695	40,913,683	(370,975)	58,715,805
Charity paid	18(iv)	-	-	-	-	(5,000)	-	-	(5,000)
Net profit and other comprehensive income for the year		-	-	-	-	-	1,043,190	-	1,043,190
At 31 December 2021		8,262,345	911,442	4,557,442	4,131,173	305,695	41,956,873	(370,975)	59,753,995
Dividend paid for the year 2021	30	-	-	-	-	-	(1,183,706)	-	(1,183,706)
Charity paid	18(iv)	-	-	-	-	(8,000)	-	-	(8,000)
Transfer to charity reserve during the year	18(iv)	-	-	-	-	14,312	(14,312)	-	-
Net profit and other comprehensive income for the year		-	-	-	-	-	1,143,485	-	1,143,485
At 31 December 2022		8,262,345	911,442	4,557,442	4,131,173	312,007	41,902,340	(370,975)	59,705,774

Consolidated Statement of Cash Flows

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022

(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Operating activities			
Net profit for the year		1,143,485	1,043,190
Adjustments for:			
Depreciation	6	678,145	655,949
Amortisation of cost to right-of-use assets	9	736,887	581,746
Capital work in progress written-off	7	134,146	85,752
Unrealised fair value gain on investment properties	8	(714,753)	(402,808)
Impairment loss on property, plant and equipment relating to discontinued operations	10	-	76,513
Net share of (profit)/loss from investment in an associate	11	(422,738)	15,490
Interest income – discount amortisation	27	(18,327)	-
Loss on lease termination	26	79,340	-
Provision for obsolete inventories written-off		-	(15,930)
Rent concession on lease liabilities	22	(254,766)	(380,659)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	27	459,223	(615,062)
Gain on sale of right shares	27	-	(11,122)
Dividend income	27	(522,530)	(388,000)
Interest income from sukuks and bonds	27	(893,334)	(528,145)
Interest income on bank current accounts balances	27	(18,278)	(80,817)
Interest income on long term receivable	25	(248,247)	(390,104)
Finance costs	28	202,154	244,425
Changes in operating assets and liabilities:			
Inventories		7,279	(11,456)
Trade and other receivables		(368,281)	(127,671)
Trade and other payables		(318,147)	665,270
Other employee benefits		(557,904)	(557,904)
Employee terminal benefits, net		45,701	(15,625)
Net cash used in operating activities		(850,945)	(156,968)
Investing activities			
Purchase of property, plant and equipment	6	(131,056)	(23,009)
Purchase of investment properties	8	(49,162)	(1,277)
Proceeds from disposal of business operations		3,152,352	3,152,352
Addition to capital work-in-progress		-	(445,059)
Proceeds from sale of financial assets at fair value through profit or loss		729,427	396,888
Interest income on long term receivable	25	248,247	390,104
Interest income from bonds and sukuks	27	893,334	528,145
Interest income received on bank current accounts balances	27	18,278	80,817
Purchase of financial assets at amortised cost		(13,950,627)	-
Purchase of financial assets at fair value through profit or loss		(498,225)	-
Dividend income received	27	522,530	388,000
Net cash (used in)/provided by investing activities		(9,064,902)	4,466,961

Consolidated Statement of Cash Flows

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Financing activities			
Amount repaid against Murabaha facility		(2,892,477)	(523,720)
Proceeds from term loan		10,425,000	-
Lease liabilities paid	22	(969,121)	(370,530)
Dividends paid		(1,183,706)	-
Charity paid	18(iv)	(8,000)	(5,000)
Finance costs paid		(105,718)	(152,251)
Net cash provided by/(used in) financing activities		5,265,978	(1,051,501)
Net (decrease)/increase in cash and bank balances		(4,649,869)	3,258,492
Cash and cash equivalents, beginning of the year		3,966,736	708,244
Cash and cash equivalents, end of the year		(683,133)	3,966,736
Comprising:			
Cash and bank balances	16	275,127	3,966,736
Bank overdrafts	24	(958,260)	-
		(683,133)	3,966,736

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022

1 ORGANISATION AND ACTIVITIES

Bahrain Cinema Company B.S.C. ("the Company") and its subsidiaries (collectively referred as "the Group") is a public Bahraini shareholding company incorporated under Royal Decree dated 30 November 1967, is registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 1192 obtained on 11 August 1968.

The principal activities of the Group are the screening of films, advertisements and operation of restaurants, providing leisure and amusement related services, real estate activities with own or leased property and sale/trade of furnisher and all household articles and sale/trade in other machinery and equipments and parts.

The registered office of the Company is in the Kingdom of Bahrain.

These consolidated financial statements include assets, liabilities and the result of operations of the branches which operate under commercial registration numbers 1192-1, 1192-9, 1192-16, 1192-20, 1192-22, 1192-24, 1192-25, 1192-26, 1192-27, 1192-28 and 1192-29.

The audited consolidated financial statements, set out on pages 13 to 55, were approved and authorised for issue by the Board of Directors on 16 February 2023.

2 STRUCTURE OF THE GROUP

The structure of the Group is as follows:

Subsidiary company

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2022	Effective ownership interest 2021
Red Dragon Company S.P.C. *	Kingdom of Saudi Arabia	Restaurant operations and Go-karting business	100%	100%
Cineco Cinema L.L.C.**	United Arab Emirates	Screening of films	-	100%

* The Company has not yet started its operations.

** On 5th August 2021, the Company's Board of Directors passed the resolution for the closure of the activity of Cineco Cinema L.L.C. and all procedures relating to liquidation and cancelling of trade licenses completed in 2022.

The total assets and net profit/(loss) for the year of the above subsidiaries have been extracted for the purpose of consolidation from the unaudited management accounts prepared as at, and for the year ended, 31 December 2022.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Joint venture

Name of joint ventures	Country of incorporation	Principal activities	Effective ownership interest 2022	Effective ownership interest 2021
Qatar Bahrain International Cinema W.L.L.	State of Qatar	Screening of films	23%	23%
Al Murjan Restaurant Management W.L.L.	State of Qatar	Restaurant operations	50%	50%

The Group is a party to joint arrangements with the above entities. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial information using the equity method.

Associate

Name of Associate	Country of incorporation	Principal activities	Effective ownership interest 2022	Effective ownership interest 2021
Vox Cineco Cinemas Company W.L.L.	Kingdom of Bahrain	Screening of films, sale of food and beverages	50%	50%

The Group has entered into an agreement with Majid Al Futtaim Cinemas Bahrain Co. W.L.L. on 27 September 2016 to form a new company, Vox Cineco Cinemas Company W.L.L. (commercial registration number 108609-1 obtained on 21 December 2016). On completion of conditions of this transaction as mutually agreed by the parties in the agreement, the Group recorded this an investment in associate and the resultant gain on disposal of business operations was recorded on 30 June 2017.

As per this agreement, Company sold 50% of its cinemas operations in City Center Bahrain to Majid Al Futtaim Cinemas Bahrain Co. S.P.C. and both partners agreed to push down their respective 50% share in City Center Cinema business to this new company, Vox Cineco Cinemas Company W.L.L. This new company was formed to run cinema operations within the Kingdom of Bahrain. Based on contractual terms, the Group has the power to participate in (but not control) the financial and operating policy decisions of Vox Cineco Cinemas Company W.L.L. and accordingly this investment has been classified as an associate. Vox Cineco Cinemas Company W.L.L. has obtained license during 2017 to run the film screening operations.

As per the terms of the agreement, Company has contributed BD500,000 representing 50% of the authorised and paid up capital of the new company, Vox Cineco Cinemas Company W.L.L.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)



3 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives and rules and procedures of the Bahrain Bourse.

Basis of consolidation

The consolidated financial statements incorporate consolidated financial statements of the Company and its subsidiary from the date that control effectively commenced until the date that control effectively ceased. Control is achieved when the Company has the power to govern the financial and operational policies of an entity to obtain benefits from its activities. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements present the results of the Company and its subsidiary ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore, eliminated in full.

Basis of presentation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention using going concern assumption except for the following:

- financial instruments – financial assets at fair value through profit or loss
- investment properties
- associate

These assets have been measured at their fair market values except for associate which has been accounted under equity method at the consolidated statement of financial position date. The financial statements have been presented in Bahrain Dinars which is the functional currency of the Company.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies.

The policies have been consistently applied to all the years presented, unless otherwise stated.

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 Group's future accounting year with earlier adoption.



Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Standards, amendments and interpretations issued and effective in 2022 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 2022 or subsequent periods, but is not relevant to the Group's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 16	Property, Plant and Equipment	1 January 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
IAS 41	Agriculture	1 January 2022
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 January 2022
IFRS 3	Business Combinations	1 January 2022
IFRS 9	Financial Instruments	1 January 2022
IFRS 16	Leases	1 January 2022

Standards, amendments and interpretations issued but not yet effective in 2022

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2022. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2022 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:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of financial statements	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
IAS 12	Income Taxes	1 January 2023
IAS 1	Presentation of financial statements	1 January 2024
IAS 1	Presentation of financial statements	1 January 2024
IFRS 16	Leases	1 January 2024
IFRS 17	Insurance contracts	1 January 2023

Early adoption of amendments or standards in 2022

The Group did not early-adopt any new or amended standards in 2022. There would have been no change in the operational results of the Group for the year ended 31 December 2022 had the Group early adopted any of the above standards applicable to the Group.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

4 SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use. Increases in carrying amounts arising on revaluation of freehold land are credited to the revaluation reserve in the consolidated statement of other comprehensive income. Decreases that off-set previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the consolidated statement of profit or loss and other comprehensive income. On disposal of revalued assets, amounts in the revaluation reserve relating to these assets are transferred directly to retained earnings.

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

Buildings on freehold land	20 years
Building on leasehold land/leasehold improvements	20 years or the lease period, whichever is lower
Fixtures, furniture and office equipment	3 – 15 years
Motor vehicles	5 years

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

Capital work-in-progress represents expenditure incurred in setting up new commercial facilities which are realisable and depreciated when put to commercial use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining net profit.

Repairs and renewals are charged to the consolidated statement of profit or loss and other comprehensive income when the expenditure is incurred.

The carrying amounts of the property, plant and equipment are reviewed quarterly for impairment when events or changes in circumstances indicate that carrying amounts may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amounts, the carrying values are written-down immediately to their recoverable amounts.

Investment properties

Investment properties, principally comprising freehold land and buildings, are held either to earn long-term rental yields or for capital appreciation.

Investment properties are treated as long-term investments and are initially recorded at cost, including all transaction costs. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Subsequent to initial recognition, investment properties are re-measured at their fair values, representing open market values determined annually by independent property valuers, and any unrealised gains or losses arising are included in the consolidated statement of profit or loss and other comprehensive income in the year in which they arise. Fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Subsequent expenditure relating to an investment property is added to the carrying value when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Group.

Investment properties are derecognised when they have either been disposed-off, or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on de-recognition of an investment property are recognised in the consolidated statement of profit or loss and other comprehensive income in the year of de-recognition.

Rent receivable is recognised on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- a) There is an identified asset;
- b) The Group obtains substantially all the economic benefits from use of the asset; and
- c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)



On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is re-measured using the discount rate applicable on the modification date, with the right-of use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Based on the exemptions available in IFRS 16, low value and short-term leases are not capitalised in the statement of financial position. All payments made towards such leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the period of the lease.



Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Investment in an associate

An associate is an entity over which the Group exercises significant influence, but not control, through participation in financing and operating policy decisions, in which it normally owns between 20% and 50% of the voting equity. Associates are equity accounted for, from the date significant influence commenced until the date that significant influence effectively ceased.

Investments in associates are carried at cost, including goodwill, as adjusted for by the Group's share of post-acquisition changes in the associate's retained earnings and other movements in reserves. The carrying value of investments in associates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. The results of associates are equity accounted, based on their most recent audited or unaudited financial statements.

Losses of associates are recorded in the consolidated financial statements until the investment in such associates is written down to nil value. Thereafter, losses are only accounted for to the extent that the Group is committed to provide financial support to such associates.

Profits and losses resulting from transactions with associates are eliminated to the extent of the Group's interest in the relevant associates.

Financial assets

The Group classifies its financial assets in the following measurement categories:

1. Financial assets at fair value through profit or loss (FVTPL), and
2. Financial assets at amortised cost.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition of the financial asset except transaction cost on financial instruments at FVTPL are not included in the amount at which the instrument is initially measured, instead they are immediately recognised in profit or loss. Equity and debt instruments are measured at fair value and all changes in fair value are recognised in the statement of profit or loss under IFRS 9.

Financial assets at amortised cost

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

(a) Cash and cash equivalents

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

(b) Trade and other receivables

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

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Financial liabilities

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

Trade and other payables

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

Murabaha facility

Borrowings are recorded initially at fair value, less the attributable transaction costs. Subsequent to initial measurement these are recorded at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in consolidated statement of profit or loss and other comprehensive income when the obligation is discharged, cancelled or expired.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligation can be reliably estimated.

Inventories

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

Employees' terminal benefits

a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b) Post-employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Treasury shares

Shares of the Company repurchased at the consolidated statement of financial position date are designated as treasury shares until they are reissued or cancelled. The nominal value of treasury shares are disclosed as a deduction from reserves, with the difference between the nominal value of the shares and their purchase cost being adjusted against the retained earnings or the share premium account in the consolidated statement of changes in shareholders' equity. Gains or losses arising on the sale of treasury shares are recognised in the consolidated statement of change in shareholders' equity.

Dividends declared

Dividends declared are recognised in the consolidated statement of changes in shareholders' equity in the year in which they are approved by the shareholders in the Annual General Meeting.

Revenue recognition

Revenues are generated principally from box office, sales of merchandise and screen advertising. Revenue is recognized on the following basis:

Revenue recognition under IFRS 15

- Revenue from sale of tickets (Box Office revenue) is recognised at the time the obligation is satisfied i.e. when the movie is played. Amounts collected on advanced tickets sales are recorded as deferred revenue and recognized when the movie has played.
- Revenue from the sale of food and beverages (Restaurant revenue) is recognised when control of the food and beverages has transferred, being at the point the customer purchases the food and beverages. Payment of the transaction price is due immediately at the point the customer purchases the food and beverage items.
- Revenue from leisure and amusement related services is recognised at the time the obligation is satisfied.
- Revenue from real estate activities with own or leased property is recognised at the time the obligation is satisfied.
- Revenue for advertising is recognised over time as services are delivered. The transaction price allocated to these services is recognised as the media runs from the start to the end dates specified in the contracts with the customer.

Other income is recognised when the Group's right to receive payment is established.

Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses arising from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)



5 CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- economic useful lives of property, plant and equipment;
- economic useful life of right-of-use assets;
- classification of investments;
- revenue recognition;
- fair value measurement;
- going concern;
- power to exercise significant influence;
- legal proceedings;
- determination of lease term and the borrowing rates for leases;
- Impairment of assets; and
- contingencies.

Economic useful lives of property, plant and equipment

The Group's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Useful economic lives of property, plant and equipment are reviewed by management quarterly. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Economic useful life of right-of-use assets

Right of use assets are amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of profit or loss in specific periods.

Classification of investments

In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as financial assets as subsequently measured at either amortised cost or fair value. The classification of each investment reflects the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Revenue recognition

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



Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Fair value measurement

A number of assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Group that either require fair value measurements or only fair value disclosures as at 31 December 2022 and 2021 are disclosed in Note 34.

Going concern

The management of the Group reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

Power to exercise significant influence

When the Group holds less than 20% of the voting rights in an investment but has the power to exercise significant influence, such an investment is treated as an associate. In the opposite situation where the Group holds more than 20% of the voting rights and the Group does not exercise significant influence, the investment is treated as a financial asset at fair value through profit or loss or through other comprehensive income, since the Group's control is considered temporary in nature. The Group exercises control over all its subsidiaries where the Group's investments are more than 50% of the voting rights.

Legal proceedings

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

Determination of lease term and the borrowing rates for leases

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

Impairment of assets

The Group creates provisions for impaired trade receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2022, in the opinion of the management, a provision of BD17,898 was considered necessary against trade receivables (2021: BD17,898). Under IFRS 9 a forward-looking expected credit loss (ECL) approach has been used. The Group is required to record an allowance for expected losses for all loans and other debt type financial assets not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The expected loss rates are based on the payment profiles of credit sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group also creates an allowance for obsolete and slow-moving inventories. At 31 December 2022, in the opinion of Group's management a provision of BD109,290 (2021: BD109,290) was required for obsolete and slow-moving inventories. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of the year.

The Group reviews the carrying amounts of its assets, excluding goodwill, to determine whether there is any indication that those assets are impaired. In making the assessment of impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to an appropriate cash-generating unit, and also in estimating the timing and value of the underlying cash flows within the value-in-use calculation. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

6 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Building on leasehold land/leasehold improvements	Fixtures, furniture and office equipment	Motor vehicles	Total
Cost or revaluation					
At 31 December 2020	821,716	1,303,015	10,412,049	197,037	12,733,817
Additions	-	-	23,009	-	23,009
On discontinued operation (Note 10)	-	-	(90,734)	-	(90,734)
At 31 December 2021	821,716	1,303,015	10,344,324	197,037	12,666,092
Transfer from capital work-in progress (Note 7)	-	-	1,832,874	-	1,832,874
Additions	-	-	131,056	-	131,056
disposals	-	-	(245)	-	(245)
At 31 December 2022	821,716	1,303,015	12,308,009	197,037	14,629,777
Accumulated depreciation					
At 31 December 2020	175,713	1,272,557	6,678,130	181,555	8,307,955
Charge for the year	41,086	1,255	604,845	8,763	655,949
On discontinued operation (Note 10)	-	-	(14,221)	-	(14,221)
At 31 December 2021	216,799	1,273,812	7,268,754	190,318	8,949,683
Charge for the year	41,086	1,255	630,947	4,857	678,145
disposals	-	-	(245)	-	(245)
At 31 December 2022	257,885	1,275,067	7,899,456	195,175	9,627,583
Net book amount					
At 31 December 2022	563,831	27,948	4,408,553	1,862	5,002,194
At 31 December 2021	604,917	29,203	3,075,570	6,719	3,716,409

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

7 CAPITAL WORK-IN-PROGRESS

	31 December 2022	31 December 2021
Opening balance	1,969,736	1,610,429
Additions during the year	-	445,059
Transfer to property, plant and equipment (Note 6)	(1,832,874)	-
Transfer to security deposits	(2,716)	-
Written-off	(134,146)	(85,752)
Closing balance	-	1,969,736
	31 December 2022	31 December 2021
Go-karting and rope adventure	-	1,799,648
Red Dragon	-	170,088
	-	1,969,736

The amounts incurred towards the development of Electric Kart Track and rope adventure in Bahrain Mall project has been transferred to property, plant and equipment during the year.

8 INVESTMENT PROPERTIES

	31 December 2022	31 December 2021
Opening balance	22,314,085	21,910,000
Additions	49,162	1,277
Unrealised fair value gains, net (Note 27)	714,753	402,808
Closing balance	23,078,000	22,314,085

Investment property representing Awal property, Seef land and Juffair property and has been fair valued by independent property valuers holding recognised and relevant professional qualifications. The Group used the lowest and most conservative values. Based on these valuation reports an unrealised fair value gain of BD714,753 (2021: BD402,808) has been recognised for the year ended 31 December 2022 in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

9 RIGHT-OF-USE ASSETS

	Theatres	Restaurants	Leisure and amusement	Office building	Others	Total
Cost						
At 31 December 2020	4,508,800	627,758	-	289,557	20,456	5,446,571
Additions	-	-	792,385	-	-	792,385
At 31 December 2021	4,508,800	627,758	792,385	289,557	20,456	6,238,956
Additions	-	186,636	-	131,825	-	318,461
Retirement	-	-	-	(289,557)	-	(289,557)
Lease termination	(371,882)	-	-	-	-	(371,882)
Modifications	5,452	-	(70,827)	-	-	(65,375)
At 31 December 2022	4,142,370	814,394	721,558	131,825	20,456	5,830,603
Accumulated amortisation						
At 31 December 2020	2,136,933	226,351	-	191,696	19,638	2,574,618
Charge for the year	390,826	111,520	13,206	65,376	818	581,746
At 31 December 2021	2,527,759	337,871	13,206	257,072	20,456	3,156,364
On lease termination	(223,131)	-	-	-	-	(223,131)
Charge for the period	317,080	196,000	144,071	79,736	-	736,887
Retirement	-	-	-	(289,557)	-	(289,557)
At 31 December 2022	2,621,708	533,871	157,277	47,251	20,456	3,380,563
Carrying Value						
31 December 2022	1,520,662	280,523	564,281	84,574	-	2,450,040
31 December 2021	1,981,041	289,887	779,179	32,485	-	3,082,592

Amortisation on right-of-use assets charged to the consolidated statement of profit or loss and other comprehensive income is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Operating costs	657,151	517,966
General and administrative expenses (Note 26)	79,736	63,780
	<u>736,887</u>	<u>581,746</u>

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

10 DISCONTINUED OPERATIONS

During 2021, the Company's Board of Directors has passed a resolution for the closure of activity of Cineco Cinema L.L.C., located in UAE Accordingly, the Company has disclosed the operation as discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

The statement of profit or loss and other comprehensive income of discontinued operations are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Operating income	-	7,999
Other income	-	33
Operating costs	-	(43,619)
General and administrative expenses	(7,196)	(55,770)
Loss on closure of business*	-	(77,982)
	<u>(7,196)</u>	<u>(169,339)</u>

* Loss on closure of business includes property, plant and equipment written-off amounting to BD76,513.

11 INVESTMENT IN AN ASSOCIATE

	31 December 2022	31 December 2021
Opening balance	9,677,134	9,692,624
Share of profit/(loss) for the year (Note 27)	<u>422,738</u>	<u>(15,490)</u>
Closing balance	<u>10,099,872</u>	<u>9,677,134</u>

Prior to year 2020, the carrying value of Group's investment in associate included goodwill on acquisition amounting to BD19,857,324. The management has performed an impairment assessment of goodwill as at 31 December 2020 and recorded impairment loss of BD10,905,664 in the year 2020.

In the opinion of the management, the carrying value of the goodwill amounting to BD8,951,660 included in the carrying value of the associate is not impaired as at 31 December 2022.

The Group's share in the net profit or loss of the associates has been extracted from audited financial statements prepared as at, and for the year ended:

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

	31 December 2022 (Audited)	31 December 2021 (Audited)
Non-current assets	3,203,741	2,631,878
Current assets	1,459,510	812,361
Non-current liabilities	(78,898)	(691,484)
Current liabilities	(2,287,930)	(1,301,808)
Net assets	2,296,423	1,450,947
Group's share of net assets of the associates	1,148,212	725,474
Operating revenue	4,159,624	2,024,032
Net profit / (loss) for the year	845,476	(30,981)
Group's share of net profit / (loss) of the associate	422,738	(15,490)

12 FINANCIAL ASSETS AT AMORTISED COST

	31 December 2022	31 December 2021
Investment in Bonds	13,968,954	-
Movement during the year		
Additions during the year	13,950,627	-
Interest Income – discount amortization (Note 27)	18,327	-
Closing balance	13,968,954	-

Amortised cost investments represent investment in Bonds amounting BD13.96m (USD37.5m), carrying interest rate of 6% per annum, having a maturity on 19 September 2044.

Financial assets at amortised cost are denominated in the following currency:

Currency	31 December 2022	31 December 2021
United States Dollar	13,968,954	-

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

13 INVENTORIES

	31 December 2022	31 December 2021
Food and beverages and spares equipment	255,979	263,258
Provision for obsolete and slow-moving inventories	(109,290)	(109,290)
	<u>146,689</u>	<u>153,968</u>

The movement in provision for obsolete and slow-moving inventories is as follows:

	31 December 2022	31 December 2021
Opening balance	109,290	125,220
Written-off during the year	-	(15,930)
Closing balance	<u>109,290</u>	<u>109,290</u>

14 TRADE AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
Trade receivables	221,018	271,097
Provision for impaired trade receivables	(17,898)	(17,898)
	<u>203,120</u>	<u>253,199</u>
Interest free loans to employees	33,461	1,135
Deposits/rental advance	338,480	398,704
Advances to suppliers	316	39,328
Amounts due from related parties (Note 33)	21,703	40,077
Loan to a related party (Note 33)	300,000	-
Prepayments	54,617	67,596
Receivable on disposal of business operations*	3,152,352	3,152,353
Interest on bonds and sukuks	374,165	115,019
Other receivables	50,562	90,368
	<u>4,528,776</u>	<u>4,157,779</u>

*Receivable on disposal of business operations represent current portion of total net cash consideration receivable against the sale of 50% interest in City Centre Cinema Operations of the Group. In the opinion of the Group's management, the fair values of these receivable balances are not expected to be significantly different from the carrying value as at 31 December 2022 as impact of discounting is not considered to be material.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

	31 December 2022	31 December 2021
Non-current portion	-	3,152,351
Current portion	3,152,352	3,152,353
	<u>3,152,352</u>	<u>6,304,704</u>

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

Trade receivables are generally on 30 to 90 days credit terms.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and other contracted assets. To measure expected credit losses on a collective basis, trade receivables and amount due from related parties are grouped based on similar credit risk and aging. The amount due from related parties have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over a year period prior to the year end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP) and inflation rate as the key macroeconomic factors in the countries where the Group operates.

The movement in the allowance for impaired trade receivables is as follows:

	31 December 2022	31 December 2021
As at 31 December	<u>17,898</u>	<u>17,898</u>

The net trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over trade receivables and, these are therefore unsecured.

Amounts due from related parties are unsecured, bear no profit, have no fixed repayment terms and are realisable by the Group's management.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Quoted equity investments	9,698,053	9,464,127
Unquoted investments and managed funds	354,284	488,158
Bonds and sukuks	<u>9,414,365</u>	<u>10,204,842</u>
	<u>19,466,702</u>	<u>20,157,127</u>
Movement during the year		
Opening balance	20,157,127	19,927,831
Additions	498,225	-
Disposals	(729,427)	(385,766)
Unrealised fair value (loss) / gain on financial assets at fair value through profit or loss, net (Note 27)	<u>(459,223)</u>	<u>615,062</u>
Closing balance	<u>19,466,702</u>	<u>20,157,127</u>

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

	31 December 2022	31 December 2021
Non-current assets	10,052,337	9,952,285
Current assets	9,414,365	10,204,842
	19,466,702	20,157,127

The management has classified the quoted and unquoted investments as non-current as it has intention to hold these for long term. Whereas, bonds and sukuks are classified as current as the purpose of holding these assets is to obtain short-term gains from routine buying and selling.

For unquoted and managed funds fair values are assessed on the basis of the project valuation reports by the independent fund managers and latest audited financial statements of the investee companies wherever applicable.

Financial assets at fair value through profit or loss also include debt securities listed on bond markets valued at their quoted bid prices as of 31 December 2022.

Financial assets at fair value through profit or loss are denominated in the following currencies:

Currency	31 December 2022	31 December 2021
Bahrain Dinar	8,735,034	8,923,480
Kuwait Dinar	814,752	345,808
United States Dollar	9,915,313	10,886,704
Oman Riyal	1,603	1,135
	19,466,702	20,157,127

Bonds and Sukuks amounting to BD9,407,768 (2021: BD10,198,245) are held as collateral against the murabaha facility (Note 19).

16 CASH AND BANK BALANCES

	31 December 2022	31 December 2021
Current account balances with banks	209,824	3,893,867
Cash on hand	65,303	72,869
	275,127	3,966,736

Current account balances with banks are profit bearing.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

17 SHARE CAPITAL

	31 December 2022	31 December 2021
Authorised		
100,000,000 ordinary shares of 100 fils each (2021: 100,000,000 ordinary shares of 100 fils each)	10,000,000	10,000,000
Issued, subscribed and fully paid-up:		
82,623,450 ordinary shares of 100 fils each (2021: 82,623,450 ordinary shares of 100 fils each)	8,262,345	8,262,345
Treasury shares		
3,709,737 ordinary shares of 100 fils each (2021: 3,709,737 ordinary shares of 100 fils each)	370,975	370,975

Treasury shares

The Company holds 3,709,737 (2021: 3,709,737) (4.49% of the total issued and paid-up share capital) as treasury shares as at 31 December 2022 (2021: 4.49% of the total issued and paid-up share capital).

Additional information on shareholding pattern

- i) The names and nationalities of the major shareholders holding 5% or more of the issued shares as at are as follows:

31 December 2022	Nationality	Number of shares	Percentage of share-holding interest
Bahrain Family Leisure Company B.S.C.	Bahraini	4,149,147	5.02%
Dr. Esam Abdulla Fakhro	Bahraini	4,789,244	5.80%
General public and corporations	Various	73,685,059	89.18%
		82,623,450	100%

31 December 2021	Nationality	Number of shares	Percentage of share-holding interest
Bahrain Family Leisure Company B.S.C.	Bahraini	4,185,137	5.07%
Dr. Esam Abdulla Fakhro	Bahraini	4,789,244	5.80%
General public and corporations	Various	73,649,069	89.13%
		82,623,450	100%

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

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- ii) The Company has only one class of equity shares and the holders of these shares have equal voting rights.
- iii) The distribution of the Company's equity shares analyzed by the number of shareholders and their percentage of shareholding is set out below:

31 December 2022	Number of shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	571	33,159,375	40.13%
Between 1% and 5%	27	40,525,684	49.05%
Between 5% and 10%	2	8,938,391	10.82%
	<u>600</u>	<u>82,623,450</u>	<u>100%</u>

31 December 2021	Number of Shareholders	Number of shares	Percentage of total outstanding shares
Less than 1%	546	31,923,554	38.64%
Between 1% and 5%	27	41,725,515	50.50%
Between 5% and 10%	2	8,974,381	10.86%
	<u>575</u>	<u>82,623,450</u>	<u>100%</u>

- iv) Details of the directors' interests in the Company's shares as at 31 December are as follows:

	2022 Number of shares	2021 Number of shares
Dr Esam Abdulla Fakhro	4,789,244	4,789,244
Mohammed Ebrahim Kanoo	358,094	358,094
Jalal Mohamed Jalal	482,658	482,658
Fareed Yousif Almoayyed	475,781	475,781
Jehad Yousif Amin	2,008,339	2,000,000
Shawqi Ali Fakhro	712,555	712,555
Ahmed A.Rahman Rashed AlBastaki	<u>1,865,861</u>	<u>1,865,861</u>
	<u>10,692,532</u>	<u>10,684,193</u>

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C for the year ended 31 December 2021 (Contd...)

(Expressed in Bahrain Dinars)

18 RESERVES

(i) Share premium

Share premium represents the difference between the exercise price and the par value of the shares issued.

(ii) Revaluation reserve

The revaluation reserve represents the net surplus arising on revaluation of freehold land (Note 6). This reserve is not available for distribution. During the year, there was no change in revaluation reserve (2021: BDNil).

(iii) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law. As this requirement has been met, no such transfer has been made to the statutory reserve for the year ended 31 December 2022 (2021: BDNil).

(iv) Charity reserve

This represents the reserve set aside for charity. During the year, BD14,312 has been transferred to this reserve (2021: BDNil). During the year, a payment of BD8,000 was made out of this reserve (2021: BD5,000).

(v) Retained earnings

This represents all other net gains and losses and transactions with shareholders not recognised elsewhere.

19 MURABAHA FACILITY

	Note	31 December 2022	31 December 2021
Murabaha facility	(a)	199,645	767,460
Commodity murabaha	(b)	4,978,367	4,978,367
		5,178,012	5,745,827
Current portion of Murabaha facility		(5,178,012)	(5,546,182)
Non-current portion of Murabaha facility		-	199,645

- (a) Murabaha facility represent amount taken from Al Salam Bank towards financing the capital expenditure of the Group to purchase 10 screens for a new Mall in Juffair. The loan is subject to profit rate of 8% per annum (net profit rate of 2.4% after adjusting Tamkeen subsidy of 5.6%). The principal outstanding is repayable in 60 equal installments of principal and profit. The financing is secured against six undated security cheques with another bank, direct assignment of all existing and future rental income from the properties located in Gudaibiya.

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of Bahrain Cinema Company B.S.C for the year ended 31 December 2022 (Contd...)

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- (b) Commodity murabaha represents amount taken from Kuwait Finance House (Bahrain) B.S.C. for purchase of CBB Sukuks on margin. The Sukuks purchased are held as collateral to secure the payment and subject to margin call of 80% and liquidation at 70% (Note 15).

That portion of the Murabaha facility which is repayable within twelve months from the statement of financial position date is disclosed as current portion of the Murabaha facility.

In the opinion of the management, the fair values of the Murabaha facility are not expected to be significantly different from their carrying values.

20 TERM LOANS

		31 December 2022	31 December 2021
Long term loan	(a)	7,344,197	-
Liquidity support loan	(b)	756,141	-
		8,100,338	-
Current portion of term loans		(331,198)	-
Non-current portion of term loans		7,769,140	-

- (a) Long term loan represents amount taken from Ahli United Bank for purchase of bonds. The Bonds purchased are held as collateral to secure the payment. This loan carries interest at the rate of SOFR plus 1.5% per annum.
- (b) Liquidity support loan represents amount taken from National Bank of Bahrain for working capital support. The loan is subject to fixed profit rate of 2.5% per annum. The outstanding is repayable in 36 equal installments of BD28,862.

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

21 EMPLOYEES' TERMINAL AND OTHER BENEFITS

		31 December 2022	31 December 2021
Employees' terminal benefits	(a)	360,234	314,533
Employees' other benefits	(b)	564,827	1,122,731
		925,061	1,437,264

a) Local employees

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain for the year ended 31 December 2022 amounted to BD85,946 (2021: BD103,689).

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of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

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

	31 December 2022	31 December 2021
Opening balance	314,533	330,158
Accruals for the year	49,309	16,980
Payments during the year	(3,608)	(32,605)
Closing balance	360,234	314,533
Number of staff employed by the Group	272	228

b) Other benefits

During the year 2017, Group had provided an amount of BD3,913,056 (10% of gain on sale of City Centre operations) as ex-gratia for their existing employees, of which BD3,348,229 were paid to them as at 31 December 2022 (2021: BD2,790,325).

22 LEASE LIABILITIES

	31 December 2022	31 December 2021
Opening balance	3,780,978	3,647,608
Lease payments	(969,121)	(370,530)
Rent concessions (Note 25)	(254,766)	(380,659)
Lease modification	(65,375)	-
Additions	318,461	792,385
Lease termination	(69,413)	-
Finance charges (Note 28)	96,436	92,174
Closing balance	2,837,200	3,780,978
Less: current portion of lease liabilities	(700,941)	(1,338,018)
Non-current portion of lease liabilities	2,136,259	2,442,960

Maturity analysis - contractual undiscounted cash flows

	31 December 2022	31 December 2021
Less than one year	773,023	1,323,591
One to five years	2,138,194	2,302,735
More than five years	-	405,463
Total undiscounted lease liabilities	2,911,217	4,031,789

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

23 TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables	390,203	361,297
Accruals	536,623	813,829
Amounts due to related parties (Note 33)	34,679	59,255
Employees benefit provisions	96,286	76,862
Advance from customers	152,018	204,121
Other payables	101,900	114,489
	<u>1,311,709</u>	<u>1,629,853</u>

Trade payables are normally settled within 30 to 60 days of the suppliers' invoice date and the maturity profile of all the dues are for a period of less than one year. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost and these approximate their fair values.

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

24 BANK OVERDRAFTS

	31 December 2022	31 December 2021
Bank overdrafts	958,260	-
Bank overdraft facilities limit	<u>4,640,000</u>	<u>4,640,000</u>

The Group has bank overdraft facilities amounting to BD4,640,000 as at 31 December 2022 (2021: BD4,640,000) which have been secured to finance the working capital requirements of the Group. Bank overdrafts are unsecured, bear interest at rates ranging between BIBOR/BHIBOR plus 1.75% to 2.50% per annum (2021: between 3.52% to 4.02% per annum) and are repayable on demand.

25 OTHER INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income on long-term receivables	248,247	390,104
Rent concession (Note 22)	254,766	380,659
Government grant for the business continuity support	-	125,850
Management fee	45,360	16,740
Miscellaneous income	118,734	63,279
	<u>667,107</u>	<u>976,632</u>

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C .for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

26 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2022	Year ended 31 December 2021
Staff costs*	814,244	632,871
Social insurance	85,946	103,689
Amortisation on right-of-use assets (Note 9)	79,736	63,780
Loss on termination of right of use assets	79,340	-
Pre-operating projects cost	132,427	12,626
Government fees	41,710	31,603
Professional fee	14,361	11,201
Maintenance expenses	37,154	11,209
Donations	7,599	11,996
Insurance expenses	6,843	8,897
Printing and stationary	15,026	2,681
Directors' remuneration and sitting fee	132,000	-
Red dragon capital work-in-progress written-off	134,146	-
Red dragon project advances written-off	69,651	-
Other expenses	162,703	73,189
	<u>1,812,886</u>	<u>963,742</u>

* No government grant received in respect of Bahraini staff for the year ended 31 December 2022 (2021: BD98,662), has been netted-off in the staff cost.

27 INCOME FROM INVESTMENTS, NET

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income from bonds and sukuk	893,334	528,145
Unrealised (loss)/gain on financial assets at fair value through profit or loss, net (Note 15)	(459,223)	615,062
Dividend income	522,530	388,000
Unrealised fair value gain on investment properties (Note 8)	714,753	402,808
Gain on sale of right shares	-	11,122
Net share of profit/(loss) from investment in associate (Note 11)	422,738	(15,490)
Interest income – discount amortization (Note 12)	18,327	-
Interest income on bank current accounts balances	18,278	80,817
	<u>2,130,737</u>	<u>2,010,464</u>

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

28 FINANCE COSTS

	Year ended 31 December 2022	Year ended 31 December 2021
Interest on murabaha facility	12,401	25,631
Interest on lease liability (Note 22)	96,436	92,174
Interest on bank overdraft and bank charges	93,317	126,620
	202,154	244,425

29 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the number of ordinary shares in issue during the year.

	31 December 2022	31 December 2021
Net profit attributable to the shareholders	1,143,485	1,043,190
Weighted average number of ordinary shares issued	78,913,713	78,913,713
Basic / diluted earnings per share	14 fils	13 fils

The earning per share has been computed on the basis of net profit for the year divided by the weighted average number of shares outstanding for the year being 78,913,713 net of 3,709,737 weighted average treasury shares. There are no potentially dilutive ordinary shares at 31 December 2022 (2021: Nil), hence the diluted and basic earnings per share are the same.

30 DIVIDENDS AND DIRECTORS' REMUNERATION

Dividends

Declared and paid

Dividend amounting to BD1,183,706 has been recommended, approved and paid for the year 2021 (2020: BDNil).

Proposed by the Board of Directors

The Board of Directors of the Group have proposed dividend for the year ended 31 December 2022 amounting to BD1,183,623 (2021: BD1,183,706). The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, dividend has not been accounted for in these consolidated financial statements.

Directors' remuneration

Accrued and expensed

An amount of BD104,000 has been accrued and expensed as directors' remuneration in year ended 31 December 2022 (2021: BDNil). Directors' remuneration is expensed in the consolidated statement of profit or loss and other comprehensive income to the year which it pertains.

Proposed by the Board of Directors

The Company has proposed directors' remuneration to be paid to the Board of Directors of the Company for the year ended 31 December 2022 amounting to BD104,000 (2021: BD104,000). This is subject to the approval of shareholders in the Annual General Meeting.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

31 SEGMENTAL REPORTING

The primary segment information is presented in respect of the Group's business segments which are in accordance with the Group's management and internal reporting structure.

The Group's operations in Bahrain are organised under the following major business segments:

- Theatre operations
- Restaurants and concession counters
- Rental, others, includes corporate office assets and vehicles

For the year ended 31 December 2022

	Theatre operations	Restaurants and concession counters	Rental and others	Total
Revenues				
Total external sales	1,844,718	1,753,204	1,684,916	5,282,838
Less: total variable cost	(918,959)	(539,070)	-	(1,458,029)
Segment results	925,759	1,214,134	1,684,916	3,824,809
Less: fixed cost				(3,456,932)
Operating gross loss				367,877
Other income				667,107
Income from investments, net				2,130,737
General and administrative expenses				(1,812,886)
Finance cost				(202,154)
Net profit for the year from continuing operations				1,150,681

For the year ended 31 December 2021

	Theatre operations	Restaurants and concession counters	Rental and others	Total
Revenues				
Total external sales	746,098	522,344	1,048,569	2,317,011
Less: total variable cost	(367,942)	(142,211)	-	(510,153)
Segment results	378,156	380,133	1,048,569	1,806,858
Less: fixed cost				(2,373,258)
Operating gross loss				(566,400)
Other income				976,632
Income from investments, net				2,010,464
General and administrative expenses				(963,742)
Finance cost				(244,425)
Net profit for the year from continuing operations				1,212,529

The Group operates only in the Kingdom of Bahrain and accordingly, no geographical segment information has been disclosed.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2022 (Contd...)

(Expressed in Bahrain Dinars)

32 CONTINGENCIES AND CAPITAL COMMITMENTS

As at 31 December 2022, the Group do not have any contingent liabilities arising in the ordinary course of business (2021: BDNil).

Capital expenditure contracted for various projects at the consolidated statement of financial position date but not recognised in these consolidated financial statements amounted to BDNil (2021: BD105,379).

33 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group.

Related parties consist of the joint ventures, the directors of the Group, their close family members and businesses under their control. The Group's transactions with related parties are authorised by the management.

Trading transactions, where customers or suppliers are controlled or significantly influenced by the directors of the Group, are conducted on an arm's length basis or on normal commercial terms.

A summary of transactions with related parties is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Saar Cinema Complex		
Other expenses	-	588
Qatar Bahrain International Cinema W.L.L.		
Staff salaries-Reimburse	1,500	29,889
Other expenses-Reimburse	44,975	41,614
Management fees	45,360	37,200
Vox Cineco Cinema Company W.L.L.		
Other expenses	284	284
Directors' salaries, remuneration and sitting fee		
Directors' salaries	204,000	204,000
Directors' remuneration	104,000	104,000
Directors' sitting fee	28,000	-
Directors' other benefits	111,899	9,210
Entities under common directorship		
Direct expenses	34,555	10,479
Other expenses	98,487	123,340
Rent expenses for corporate office	82,083	68,316
Key management personnel remuneration*		
Salaries and other short-term benefits	410,020	297,713
Salaries and other long-term benefits	34,084	16,304

* Key management personnel are those staff members who have authority and responsibility for planning, directing and controlling the activities of the Group.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2021 (Contd...)

(Expressed in Bahrain Dinars)

A summary of related party balances as at 31 December is as follows:

	Related party relationship	Amount due from (Note 14)		Amount due to (Note 23)	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Qatar Bahrain International Cinema W.L.L.	Joint venture	21,703	39,314	-	-
Vox Cineco Cinema Company W.L.L.	Associate Company	-	-	6,246	6,246
Various entities*	Common directorship	-	763	28,433	53,009
		<u>21,703</u>	<u>40,077</u>	<u>34,679</u>	<u>59,255</u>

* These include balances with several related party companies whose individual balances are not material.

Amount due from/due to related parties are unsecured, bears no interest and have no fixed repayment terms.

	Nature of relationship	31 December 2022	31 December 2021
Loan to a related party (Note 14)			
Vox Cineco Cinemas Company W.L.L.	Associate	300,000	-

Loan to related party is unsecured, bears interest and is repayable on demand.

The Company has proposed directors' remuneration to be paid to the Board of Directors of the Company for the year ended 31 December 2022 amounting to BD104,000 (2021: BD104,000). This is subject to the approval of shareholders in the Annual General Meeting.

34 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

Financial assets and liabilities carried on the consolidated statement of financial position include cash and bank balances, financial assets at fair value through profit or loss, trade and other receivables, murabaha facility, bank overdrafts and trade and other payables. The specific recognition methods adopted are disclosed in the individual policy statements associated with each item.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Financial assets at fair value through profit or loss;
- Murabaha facility;
- Bank overdrafts;
- Cash and bank balances; and
- Trade and other payables.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C. for the year ended 31 December 2021 (Contd...)

(Expressed in Bahrain Dinars)

A summary of the financial instruments held by category is provided below as at 31 December 2022:

Financial assets	Fair value through profit or loss	Amortised cost
Trade and other receivables, excluding prepayments	-	4,474,159
Financial assets at fair value through profit or loss	19,466,702	-
Financial assets at amortised cost	-	13,968,954
Cash and bank balances	-	275,127
Total financial assets	19,466,702	18,718,240
Financial liabilities		Financial liabilities at amortised cost
Trade and other payables, net of employee costs		1,215,423
Long term loan		8,100,338
Murabaha facilities		5,178,012
Total financial liabilities		14,493,773

A summary of the financial instruments held by category is provided below as at 31 December 2021:

Financial assets	Fair value through profit or loss	Amortised cost
Trade and other receivables, excluding prepayments	-	4,090,183
Financial assets at fair value through profit or loss	20,157,127	-
Cash and bank balances	-	3,966,736
Total financial assets	20,157,127	8,056,919
Financial liabilities		Financial liabilities at amortised cost
Trade and other payables, net of employee costs		1,552,991
Murabaha facilities		5,745,827
Total financial liabilities		7,298,818

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C for the year ended 31 December 2021 (Contd...)

Risk management

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets on regular basis. The Group's internal auditors also review the risk management policies and procedures and report their findings to the Audit Committee.

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Profit rate risk
- Currency rate risk
- Price risk
- Credit risk
- Liquidity risk
- Operational risk

Profit rate risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in market profit rates. The Group's bank overdrafts and murabaha facility bear fixed rates of profit. In the opinion of the Group's management, other assets and liabilities are not sensitive to profit rate risk.

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has financial assets at fair value through profit or loss in United States Dollars and GCC currencies and foreign currency transactions in Saudi Riyals, Qatari Riyals and Euros. The Bahrain Dinar is effectively pegged to the GCC currencies and United States Dollar. The Group's finance department constantly monitors the fluctuations in foreign currencies and minimises the exposure to foreign currencies.

Price risk is the risk that the Group is exposed to bonds and sukuks and equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equities and bonds, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Investment fair value sensitivity analysis is as follows:

Description	Change	Impact on equity/profit
Financial assets at fair value through profit or loss	+/-5%	+/- 973,335
Financial assets at fair value through profit or loss	+/-10%	+/- 1,946,670

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents as well as credit exposures to the customers, including outstanding receivables. Cash is placed with national and multi-national banks with good credit ratings. Concentration of credit risk with respect to trade receivables is limited due to the Group's diversified customer base. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and amount due from related parties. Due to this factor, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C for the year ended 31 December 2021 (Contd...)

(Expressed in Bahrain Dinars)

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet all future liabilities as they fall due.

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems or external events. The Group seeks to minimise this risk by continuous framing policies and procedures to identify, control and manage these risks.

Fair value measurement

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments not measured at fair value on recurring basis include trade and other receivables excluding prepayments, cash and bank balances, murabaha facility, bank overdrafts and trade and other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 December 2022 and 2021.

The following table sets out the fair value hierarchy of assets and liabilities measured at fair value on recurring basis along with valuation techniques and significant unobservable inputs used in determining the fair value measurement of financial instruments as well as the inter-relationship between unobservable inputs and fair value:

	Fair value at 31 December 2022	Fair value at 31 December 2021	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable inputs	Inter- relationship between unobservable inputs and fair value
Non-financial assets						
Investment properties	23,078,000	22,314,085	L2	Independent valuation reports dated 17 January 2023	Current market rates and rate per sq.mtr	Positive correlation between the rate per sq.mtr and the market value
Financial assets						
Quoted investments	9,698,053	9,464,127	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted equity investments/ managed funds	354,284	488,158	L3	Net assets valuation and financial updates received from the respective companies and the fund managers	Expected exit rates, expected future cash flows, net assets and expected profits based taking into account management knowledge and experience of market conditions similar to industry trends	The higher the future cash flows or profits the higher the fair value of net assets and eventually higher exit rates
Bonds and Sukuks	9,414,365	10,204,842	L1	Indicative prices from Bloomberg provided by Group's brokers	Not applicable	Not applicable

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C for the year ended 31 December 2021 (Contd...)

(Expressed in Bahrain Dinars)

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

	Unquoted equity investments/ managed funds
At 31 December 2021	488,158
Unrealised fair value gain	29,489
Disposals during the year	(163,363)
At 31 December 2022	354,284

	Unquoted equity investments/ managed funds
At 31 December 2020	681,945
Unrealised fair value loss	(26,441)
Disposals during the year	(167,346)
At 31 December 2021	488,158

There are no transfers between levels during the year 2021 and 2022.

Capital management

Capital comprises shareholders' capital and reserves attributable to the shareholders of the Group.

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made to the objectives, policies and processes during the years ended 31 December 2022 and 2021.

The Group monitors its capital structure using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt term loan, lease liabilities, bank overdraft and trade and other payables less cash and cash equivalents. Capital includes shareholders' capital and reserves attributable to the shareholders of the Group.

	31 December 2022	31 December 2021
Term loan	8,100,338	-
Lease liability	2,837,200	3,780,978
Trade and other payables	1,311,709	1,629,853
Bank overdrafts	958,260	-
Less: cash and cash equivalents	(4,511,480)	(8,425,751)
Net debt / (surplus)	8,696,027	(3,014,920)
Total capital	59,705,774	59,753,995
Total capital and net debt	68,401,801	56,739,075
Gearing ratio	12.71%	-

Since the Group has net surplus position as at 31 December 2021, no gearing ratio is being calculated and disclosed.

Notes to the Consolidated Financial Statements

of Bahrain Cinema Company B.S.C for the year ended 31 December 2021 (Contd...)

(Expressed in Bahrain Dinars)

35 NOTES SUPPORTING STATEMENT OF CASH FLOWS

IAS 7 "Statement of cash flows" that requires additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items.

	1 January 2022 BD	Obtained during the year BD	Finance costs accrued BD	Principal repaid during the year BD	Finance costs paid BD	Transferred to current liabilities BD	Non current portion 31 December 2022 BD
Murabaha facility	767,460	-	12,401	(567,815)	(12,401)	(199,645)	-
Total	767,460	-	12,401	(567,815)	(12,401)	(199,645)	-

	1 January 2021 BD	Obtained during the year BD	Finance costs accrued BD	Principal repaid during the year BD	Finance costs paid BD	Transferred to current liabilities BD	Non-current portion 31 December 2021 BD
Murabaha facility	1,291,180	-	25,631	(523,720)	(25,631)	(567,815)	199,645
Total	1,291,180	-	25,631	(523,720)	(25,631)	(567,815)	199,645

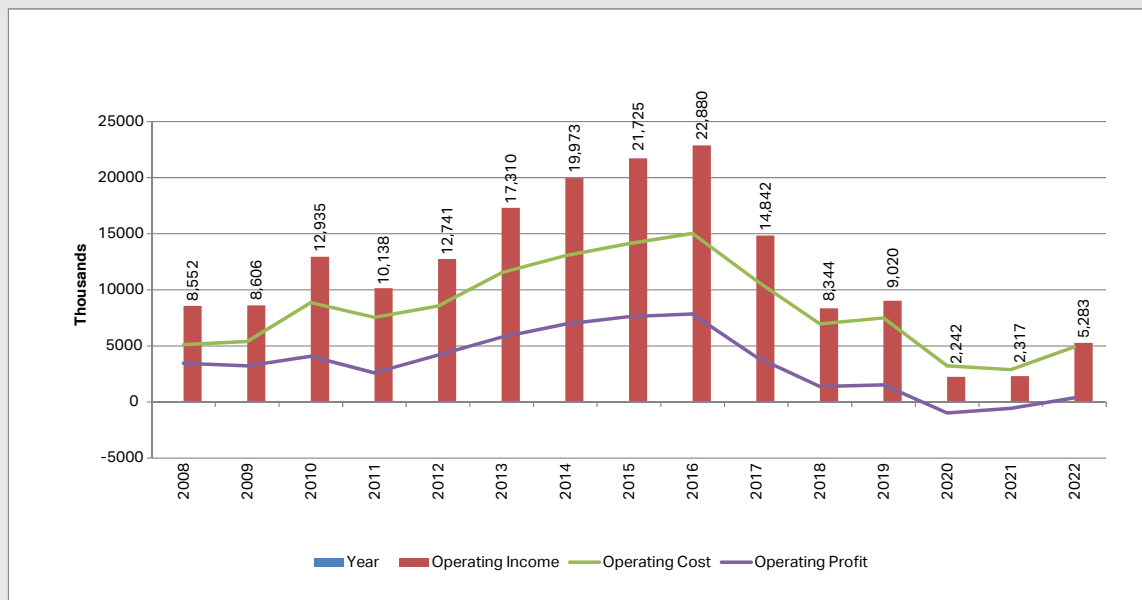
36 EVENTS AFTER REPORTING DATE

There were no significant events subsequent to 31 December 2022 and occurring before the date of the report that are expected to have a significant impact on these consolidated financial statements.

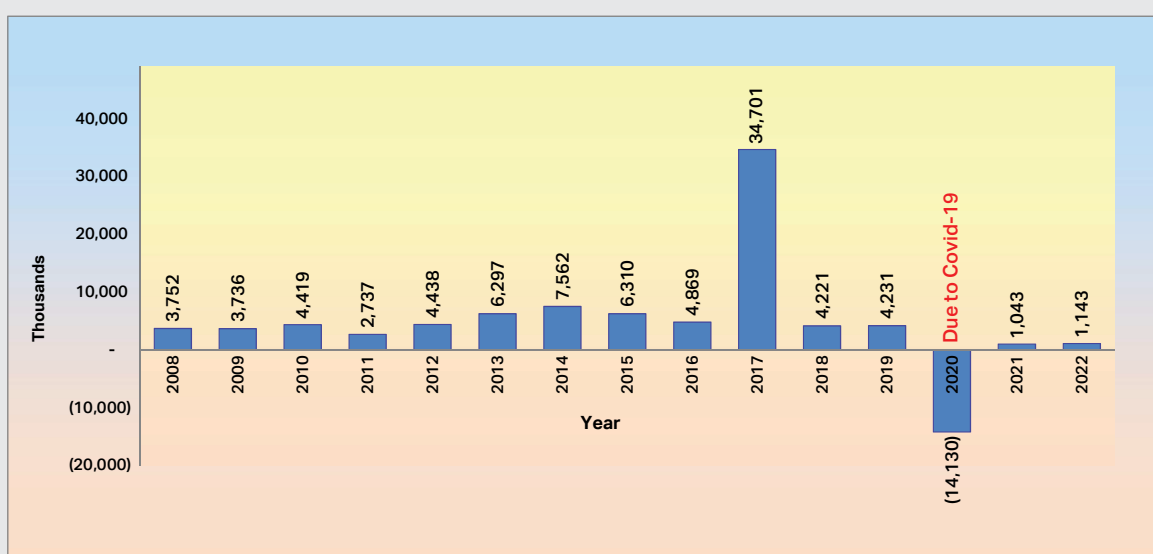


GRAPHS

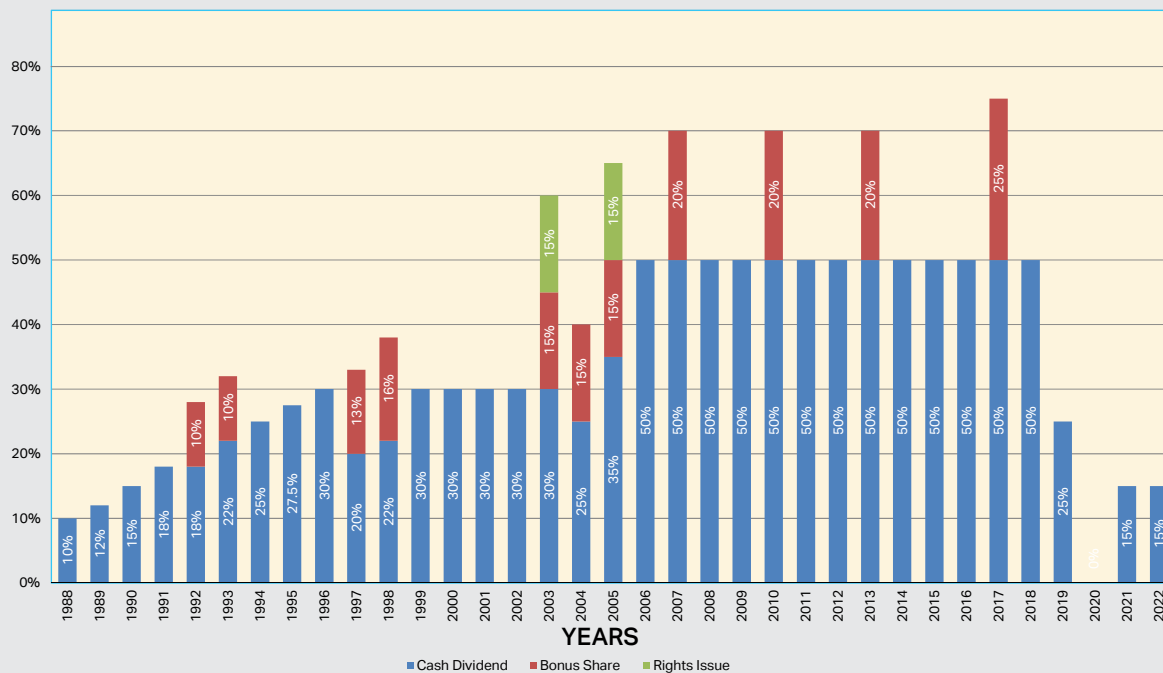
GENERAL TREND OF OPERATING INCOME, COST & PROFIT



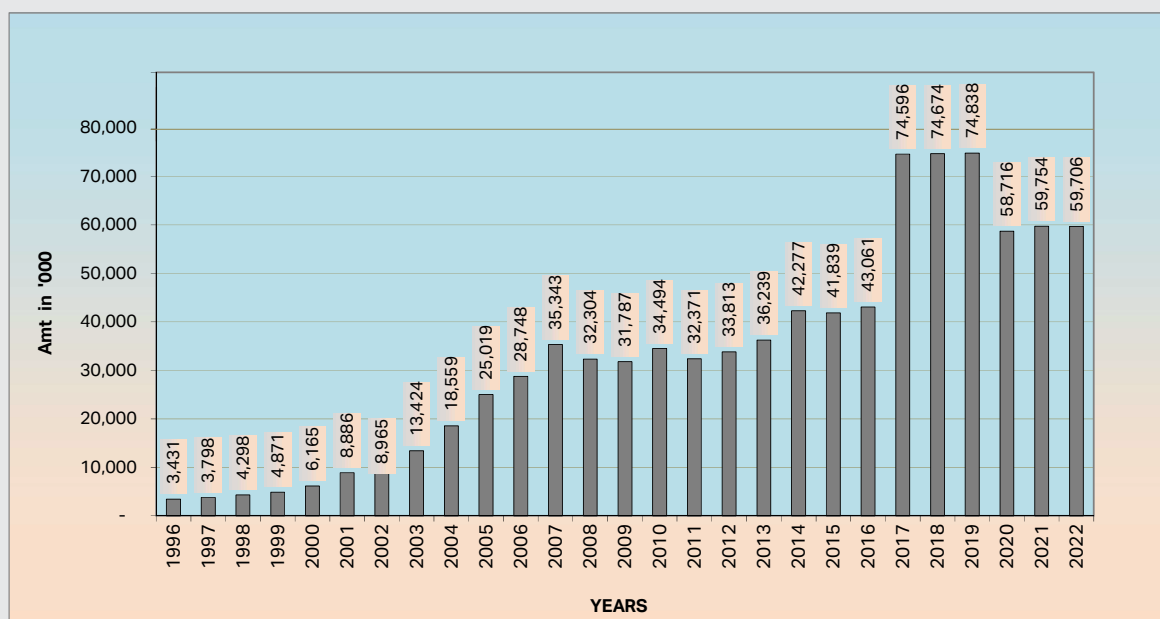
NET PROFIT



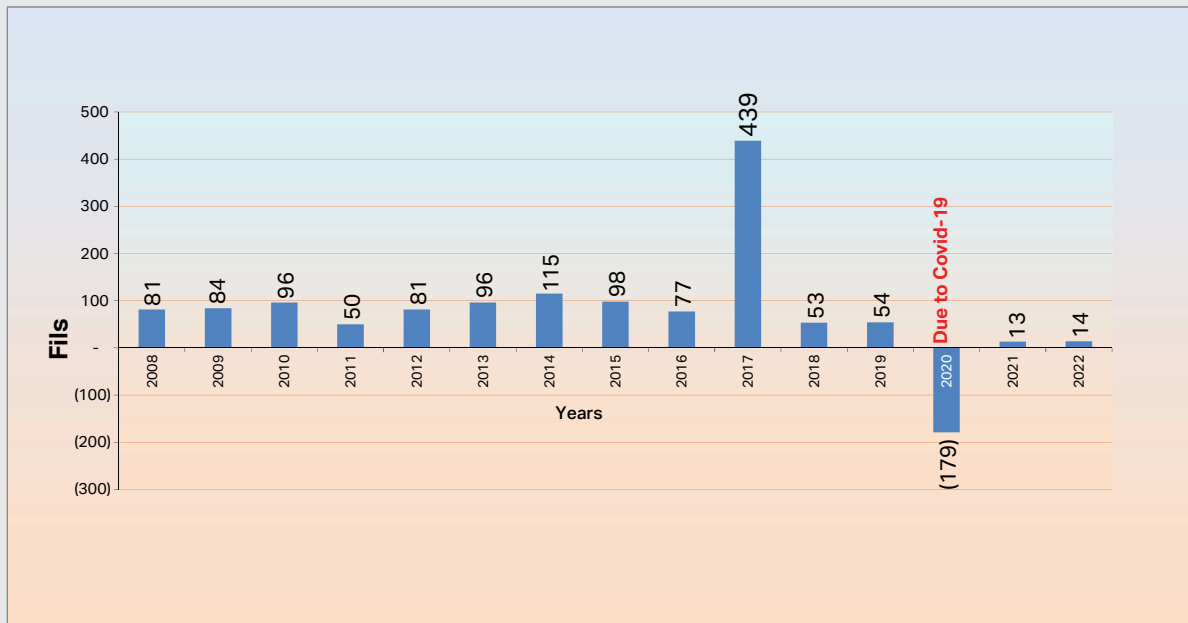
YEARLY DIVIDEND CHART FROM YEAR 1988 TO YEAR 2022



NET WORTH OF THE COMPANY (CAPITAL & RESERVE)



EARNINGS PER SHARE



SHARE BOOK VALUE (AMOUNT IN FILS)

