

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", 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.

In accordance with the Article 188 of Bahrain Commercial Law and amendment degree 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 remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expense Allowance
	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-Non Executive Directors:													
1- Ali Yusuf Ali Ubaydi	13,000	4,000	-	-	17,000	-	-	-	-	-	-	-	-
2-Jalal Mohamed Yusuf Jalal	13,000	3,500	-	-	16,500	-	-	-	-	-	-	-	-
3-Mohammed Ebrahim Khalil Kanoo	13,000	3,000	-	-	16,000	-	-	-	-	-	-	-	-
4-Fareed Yusuf Khalil Almoayyed	13,000	2,000	-	-	15,000	-	-	-	-	-	-	-	-
5- Jehad 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).													

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 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.


Dr. Esam Abdulla Fakhro
CHAIRMAN


Ahmed A. Rashed Albastaki
MD/CEO