

Bahrain Cinema Company B.S.C.

**Consolidated financial statements
for the year ended 31 December 2023**

Bahrain Cinema Company B.S.C.
Consolidated financial statements for the year ended 31 December 2023

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Bahrain Cinema Company B.S.C.
Administration and contact details as at 31 December 2023

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	27 th 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 Al Baraka Banking Group Arab Bank Kuwait Finance House Al Salam Bank
Auditors	BDO 17 th 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' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

On behalf of our colleagues on the Board, we are presenting this Annual Report and its accompanying consolidated financial statements for the year 2023.

The last year has been another period of broad and sustained uncertainty, and we continue to see re-adjustment in working patterns and consumer behavior following the Covid-19 pandemic. Major economies are facing the challenge of inflation, compounding cost-of-living pressures. Geopolitical uncertainty remains elevated, and the terrible conflicts in Gaza and Ukraine continue.

Dealing with uncertainty and volatility is the 'new norm' – and is likely to remain so for some time. While this inevitably brings some short-term challenges, especially for entertainment companies like ours, the breadth and depth of our portfolio and our different locations and different pricing structure catering to different segments of customers, harnessed to the passion and agility of our colleagues, means we are well positioned to navigate those challenges and to take advantage of emerging opportunities, as we have done successfully in over the years.

The year 2023 has been an uneventful year as the headlines were dominated by the news of natural calamities, climate changes and war resulting in loss of life across the globe. The news of the devastating earthquake in the southern Turkey and Syria hit the world in February. It was the deadliest earthquake in the region and claimed more than 50,000 lives. The countries from all over poured in to dispatch relief aid, personnel and equipments to help in rescue efforts in Turkey-Syria earthquake struck areas.

In October Israel and Palestine conflict started and has claimed countless lives of the Palestinians and many people have lost their homes. The people living near the Gaza strip were cut-off from the basic amenities such as drinking water, food, medical supplies, etc. for days. The despair caused by the war was reflected on the behavior of the people in Bahrain as they refrained from going for entertainment outings and boycotted certain food and beverages to express their solidarity with the Palestinians which unfortunately affected the Group's performance.

Cinema industry and global box office performance improved in 2023 versus 2022 owing to release of some blockbuster movies, but the performance still remains stunted when compared with the pre-pandemic figures. The global cinema industry collections impacted in the year 2023 due to the strike between the Writer's guild of America and the Hollywood studios which lasted for 148 days sent some movies slated to be released in 2023 to 2024.

Your Company astutely anticipated the challenges faced by cinema industry all over the world. In the face of the unknown, we are tested, and find our greatest strengths. This is a world where one needs to mix hindsight, insight and foresight to gain better-sight. This foresight not only enabled us to navigate short-term challenges effectively but also to turn them into springboards for transformative future growth. We strongly believe that acting responsibly and contributing to the well-being of society is integral to good business practices and value creation.

During the year, the Group did not undertake any cinema expansion in the Country due to market saturation and weak performance of the box office. Your Group focused on pushing its boundaries to deliver unmatched services to the patrons and focused on developing its investment portfolio for better returns. The Group started managing the operations of 7 screens cinema 'Al Liwan Cinema' located at Al Liwan mixed-use project developed by Lama Real Estate WLL in Hamala in the Northern Governorate.

Financial Highlights for the year 2023:

In FY23, your Company continued its focus on the stated strategy with the aim of improving cash generation in existing businesses and drive monetization in the new revenue streams.

We would now like to present the highlights of our Group's performance during the year 2023. The operating income for the financial year 2023 was BD 4.968 million as compared to BD 5.282 million registered in the previous financial year. The Group has recorded the net loss of BD 1.877 million for the year 2023 in comparison to the net profit of BD 1.143 million in the year 2022. The loss per share for the year 2023 was 24 fils. The total balance sheet footings stood at BD 72.227 million. Despite all the odds in the operating conditions, our financial prudence and discipline saved the company on cash flow front.

The year did not turn well for the entertainment industry due to lower footfall from the Saudis, Israel-Hamas war conflict and the market conditions. The entertainment market in general saw depression. The Group impaired the written-down value of the fixed assets of TRAX amounting to BD 2.3 million as it did not anticipate any improvement in its performance. The Group also charged accelerated depreciation for Seef Cineplex amounting to BD 234k during the year 2023. Our Joint venture location in City Centre was closed for almost 4 months during the year for renovation has also impacted the JV profit. High interest rate on the leverage loans on bonds and sukuks impacted the yield in the year 2023. While the operating challenges such as diminishing Saudi customers, Boycott of Hollywood movies due to tensions prevailing in the region due to war and lack of content due authors and artists strike in Hollywood remain, your Company continues to focus on execution of its stated strategy.

The Cineco brand continues to garner strong awareness and building brand affinity across all customer segments in the country. Your Company continues to make progress on the marketing front by communicating key differentiators to consumers, entering into alliances and introducing various innovative products and services. Cineco is building a competitive advantage by increasing customer engagement and heralding a new Digital Ecosystem with the introduction of various social media activities.

Future outlook:

The Group is cautious in its effort for expansion and diversification plans as the current market situations are not encouraging. Eventhough Bahrain cinema market grew by 11% in the year 2023 as compared to 2022, two new cinemas were opened in 2023 reducing the market share of Cineco and adding to the market saturation. The management carefully analyses any prospective business plans for collaboration and would undertake business opportunities that would demonstrate promising returns. With the interest rates softening from the year 2024, we are looking forward for increase in the bond and sukuk yields that may add to the bottom line. We are negotiating with the landlords for the reduction in lease rents to reduce the losses of the cinemas. The Group is in the process of seeking approvals from the concerned Ministry for developing a land in Seef area owned by the Group into a Strip mall consisting of 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 2023 in accordance with the prescribed rules forms a part of this annual report.

Sustainability and CSR initiatives:

Over the last 50 years, your Company has actively contributed to the social and economic development of the communities in which it operates. This is done through focused interventions across education, healthcare, and social fronts to enrich lives and better lifestyle opportunities. This year marked as an impactful year for climate related issues as the world witnessed rise in the occurrence and severity of the climate disasters, earthquakes, atmospheric rivers, flooding, wildfires, etc. leading in widespread destruction and loss of countless lives and resources. July 2023 marked as the hottest month ever recorded. The changing climatic conditions call for a sustainable approach and Group in its endeavor to do so have hired a Consultant to assist in sustainability reporting and identifying the KPIs important to the Group in its sustainability journey. During the year, the Group engaged in several CSR activities which are detailed in the Corporate Governance report.

Proposed Appropriations:

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

Cash Dividend of 15% (BD 1,182,170) equals to 15 fils per share

Directors' Remuneration & Executive Salaries:

The Board of Directors of the Group has proposed to distribute the remuneration amounting to BD 104,000 for the year 2023 subject to the approval of Ministry of Commerce and Shareholders.

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 2023 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 s Allowanc e	
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remuneratio ns of the chairman and BOD	Bonus	Incentive plans	Others**	Total				
First: Independent-Non Executive Directors:														
1- Ali Yusuf Ali Ubaydli	13,000	4,500	-	-	17,500	-	-	-	-	-	-	-	-	
2-Jalal Mohamed Yusuf Jalal	13,000	4,000	-	-	17,000	-	-	-	-	-	-	-	-	
3-Mohammed Ibrahim Khalil Kanoo	13,000	3,000	-	-	16,000	-	-	-	-	-	-	-	-	
4-Fareed Yusuf Khalil Almoayyed	13,000	4,000	-	-	17,000	-	-	-	-	-	-	-	-	
5- Jehad Yusuf Abdulla Amin	13,000	2,000	-	-	15,000	-	-	-	-	-	-	-	-	
6-Shawqi Ali Yusuf Fakhro	13,000	4,500	-	-	17,500	-	-	-	-	-	-	-	-	
Second: Non-Executive Directors:														
		-	-	-	-	-	-	-	-	-	-	-	-	
Third: Executive Directors:														
1-Dr Esam A. Fakhro	13,000	4,500	84,000	-	101,500	-	-	-	-	-	-	-	-	
2-Ahmed A. Rashed Albesteki	13,000	4,000	120,000	28,826	165,826	-	10,000	-	-	10,000	-	-	-	
Total	104,000	30,500	204,000	28,826	967,326	-	10,000	-	-	10,000	-	-	-	
Note (1):All amounts are stated in Bahraini Dinars.														
Note (2):Proposed Board Remuneration for the year 2023 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).														
** It includes the board member's share of the profits - Granted shares (insert the value) (if any).														

The details of the remuneration paid during the year 2023 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 2023	Aggregate Amount
Top 6 remunerations for executives including CEO* and CFO**	348,644	29,516	72,704	450,864

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 hard work and to the board of directors for providing constructive critique on strategic matters and advice on matters requiring domain expertise. To all our customers, business partners, shareholders, investors, and communities, we extend our gratitude for your continued support and trust in the Group.

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:

Finally, we hold the conviction that our Purpose broadens our perspective, enabling us to pursue even greater horizons. It serves as the bedrock that propels us towards the future, emboldening us to venture into more significant commitments and pursuits.

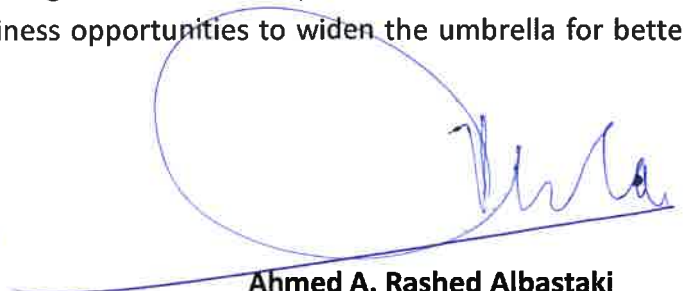
Your Company doesn't just pride itself on being a purpose driven entity. It embodies it, living out this ethos in every endeavor, every relationship, and every venture. This commitment to purpose is what continues to steer us towards an even brighter, more impactful future.

As we look back at 2023, this year may not have been a fortunate year as it was shrouded in news of escalating climatic crisis, wars, conflicts, etc. resulting in loss of lives, homes and livelihood of people pointing the inadequacy of the man in addressing such issues of such pivotal nature. The action we take today will determine the world tomorrow. At Cineco, we are committed to do our bit in addressing these issues and make a world a better place for the next generation.

The Group is hopeful that the coming years will be better as we direct our expertise and efforts to strengthen the core business, focus on delivering best cinematic experience and finest services to our valued customers and explore new business opportunities to widen the umbrella for better return to the shareholders.



Dr. Esam Abdulla Fakhro
CHAIRMAN



Ahmed A. Rashed Albastaki
MD and CEO

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 2023, 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 material accounting policy information. 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 2023. 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.

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.

Independent auditor's report to the shareholders of Bahrain Cinema Company B.S.C. (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Valuation of financial assets at fair value through profit or loss

As at 31 December 2023, 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:

- Anticipated revenue from restaurants, cinemas, leisure and amusement have 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.

Other information

Management is responsible for the other information. The other information in the annual report comprises of Board of Directors' 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.

Independent auditor's report to the shareholders of Bahrain Cinema Company B.S.C. (continued)

Report on the audit of the consolidated financial statements (continued)

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 IFRS Accounting 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.
- 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.

Independent auditor's report to the shareholders of Bahrain Cinema Company B.S.C. (continued)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 Board of Directors' report is consistent with the books of account of the Company.

(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 2023.



Manama, Kingdom of Bahrain
20 February 2024




Bahrain Cinema Company B.S.C.
Consolidated statement of financial position as at 31 December 2023
(Expressed in Bahrain Dinars)

See Auditor's Report dated 20/2/24
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature: 

	Notes	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,367,563	5,002,194
Investment properties	8	23,055,000	23,078,000
Right-of-use assets	9	1,331,967	2,450,040
Investment in an associate	11	10,103,983	10,099,872
Financial assets at amortised cost	12	14,000,624	13,968,954
Financial assets at fair value through profit or loss	15	<u>9,992,857</u>	<u>10,052,337</u>
		<u>60,851,994</u>	<u>64,651,397</u>
Current assets			
Inventories	13	123,047	146,689
Financial assets at fair value through profit or loss	15	9,328,532	9,414,365
Trade and other receivables	14	1,615,220	4,528,776
Cash and bank balances	16	<u>308,980</u>	<u>275,127</u>
		<u>11,375,779</u>	<u>14,364,957</u>
Total assets		<u>72,227,773</u>	<u>79,016,354</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	8,262,345	8,262,345
Share premium	18(i)	893,923	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)	275,766	312,007
Retained earnings	18(v)	38,803,877	41,902,340
Treasury shares	17	<u>(380,666)</u>	<u>(370,975)</u>
		<u>56,543,860</u>	<u>59,705,774</u>
Non-current liabilities			
Non-current portion of term loans	20	6,558,986	7,769,140
Non-current portion of lease liabilities	22	1,181,254	2,136,259
Employees' terminal and other benefits	21	<u>425,362</u>	<u>925,061</u>
		<u>8,165,602</u>	<u>10,830,460</u>
Current liabilities			
Murabaha facility	19	4,978,367	5,178,012
Current portion of term loans	20	339,573	331,198
Current portion of lease liabilities	22	415,409	700,941
Trade and other payables	23	1,784,962	1,311,709
Bank overdrafts	24	<u>-</u>	<u>958,260</u>
		<u>7,518,311</u>	<u>8,480,120</u>
Total equity and liabilities		<u>72,227,773</u>	<u>79,016,354</u>


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

Bahrain Cinema Company B.S.C.
Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

See Auditor's Report dated 20/2/24
Signed by BDO, CR No. 10201-04
Partner: Samson Kattuvattil
Reg. No. 239
Signature: 

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Operating income	31	4,968,449	5,282,838
Operating costs		<u>(5,276,508)</u>	<u>(4,914,961)</u>
Operating gross (loss) / profit		<u>(308,059)</u>	<u>367,877</u>
Income from investments, net	27	1,946,267	2,130,737
Other income	25	496,632	667,107
General and administrative expenses	26	(3,773,422)	(1,812,886)
Finance costs	28	<u>(238,989)</u>	<u>(202,154)</u>
Net (loss) / profit and other comprehensive (loss) / income from continuing operations		<u>(1,877,571)</u>	<u>1,150,681</u>
Loss on discontinued operations	10	<u>-</u>	<u>(7,196)</u>
Net (loss) / profit and other comprehensive (loss) / income for the year		<u>(1,877,571)</u>	<u>1,143,485</u>
Basic (loss) / earnings per share	29	<u>Fils (24)</u>	<u>Fils 14</u>

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



Bahrain Cinema Company B.S.C.
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

	Notes	Share capital	Share premium	Revaluation reserve	Statutory reserve	Charity Reserve	Retained earnings	Treasury shares	Total
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
Dividend paid for the year 2022	30	-	-	-	-	-	(1,183,623)	-	(1,183,623)
Charity paid	18(iv)	-	-	-	-	(73,510)	-	-	(73,510)
Transfer to charity reserve during the year	18(iv)	-	(17,519)	-	-	37,269	(37,269)	-	-
Purchase of treasury shares	17	-	-	-	-	-	-	(9,691)	(27,210)
Net loss and other comprehensive loss for the year		-	-	-	-	-	(1,877,571)	-	(1,877,571)
At 31 December 2023		8,262,345	893,923	4,557,442	4,131,173	275,766	38,803,877	(380,666)	56,543,860

Bahrain Cinema Company B.S.C.
Consolidated statement of cash flows for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Operating activities			
Net (loss)/profit for the year		(1,877,571)	1,143,485
Adjustments for:			
Impairment loss on property, plant and equipment	6	1,635,119	-
Depreciation	6	1,046,863	678,145
Amortisation of cost to right-of-use assets	9	983,319	736,887
Capital work-in-progress written-off		-	134,146
Provision for obsolete inventories	13	6,424	-
Unrealised fair value loss/(gain) on investment properties	8	40,149	(714,753)
Net share of profit from investment in an associate	11	(4,111)	(422,738)
Interest income - discount amortisation	27	(31,670)	(18,327)
(Gain)/loss on lease termination	25/26	(3,432)	79,340
Lease liabilities no longer payable written-off	25	(131,084)	-
Profit on sale of property, plant and equipment	25	(1,998)	-
Rent concession on lease liabilities	22	-	(254,766)
Net unrealised (gain)/loss on financial assets at fair value through profit or loss	27	(523,061)	459,223
Interest income on loan to a related party	25	(86,873)	-
Dividend income	27	(691,568)	(522,530)
Interest income from sukuks and bonds	27	(736,006)	(893,334)
Interest income on bank current accounts balances	27	-	(18,278)
Interest income on long term receivable	25	(106,393)	(248,247)
Finance costs	28	238,989	202,154
Changes in operating assets and liabilities:			
Inventories		17,218	7,279
Trade and other receivables		2,913,556	(368,281)
Trade and other payables		473,253	(318,147)
Other employee benefits		(564,827)	(557,904)
Employee terminal benefits, net		65,128	45,701
Net cash provided by/(used in) operating activities		<u>2,661,424</u>	<u>(850,945)</u>
Investing activities			
Purchase of property, plant and equipment	6	(47,351)	(131,056)
Purchase of investment properties	8	(17,149)	(49,162)
Proceeds from sale of business operations		-	3,152,352
Proceeds from sale of property, plant and equipment		1,998	-
Proceeds from sale of financial assets at fair value through profit or loss		1,042,429	729,427
Interest income on long term receivable	25	106,393	248,247
Interest income from bonds and sukuks	27	736,006	893,334
Interest income received on bank current accounts balances	27	-	18,278
Interest income on loan to a related party	25	86,873	-
Purchase of financial assets at amortised cost		-	(13,950,627)
Purchase of financial assets at fair value through profit or loss		(374,055)	(498,225)
Dividend income received	27	691,568	522,530
Net cash provided by/(used in) investing activities		<u>2,226,712</u>	<u>(9,064,902)</u>

Bahrain Cinema Company B.S.C.
Consolidated statement of cash flows for the year ended 31 December 2023 (continued)
(Expressed in Bahrain Dinars)

	<u>Notes</u>	<u>Year ended 31 December 2023</u>	<u>Year ended 31 December 2022</u>
Financing activities			
Amount repaid against Murabaha facility		(199,645)	(2,892,477)
(Repayment of)/proceeds from term loan		(1,201,779)	10,425,000
Lease liabilities paid		(971,267)	(969,121)
Dividends paid		(1,183,623)	(1,183,706)
Charity paid	18(iv)	(73,510)	(8,000)
Treasury shares purchased	17	(27,210)	-
Finance costs paid		<u>(238,989)</u>	<u>(105,718)</u>
Net cash (used in)/provided by financing activities		<u>(3,896,023)</u>	<u>5,265,978</u>
Net increase/(decrease) in cash and bank balances		992,113	(4,649,869)
Cash and cash equivalents, beginning of the year		<u>(683,133)</u>	<u>3,966,736</u>
Cash and cash equivalents, end of the year		<u>308,980</u>	<u>(683,133)</u>
Comprising:			
Cash and bank balances	16	308,980	275,127
Bank overdrafts	24	<u>-</u>	<u>(958,260)</u>
		<u>308,980</u>	<u>(683,133)</u>

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 equipment 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 and 1192-29.

The audited consolidated financial statements, set out on pages 12 to 52, were approved and authorised for issue by the Board of Directors on 20 February 2024.

2 Structure of the Group

The structure of the Group is as follows:

Subsidiary company

<u>Name of subsidiaries</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2023</u>	<u>Effective ownership interest 2022</u>
Red Dragon Company S.P.C. *	Kingdom of Saudi Arabia	Restaurant operations and Go-karting business	100%	100%

* The Company has not yet started its operations.

Joint ventures

<u>Name of joint ventures</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2023</u>	<u>Effective ownership interest 2022</u>
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.

2 Structure of the Group (continued)

Associate

<u>Name of Associate</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective ownership interest 2023</u>	<u>Effective ownership interest 2022</u>
Vox Cineco Cinemas Company W.L.L.	Kingdom of Bahrain	Screening of films, sale of food and beverages	50%	50%

3 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as issued 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 IFRS Accounting 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.

3 Basis of preparation (continued)

Basis of presentation (continued)

Improvements/amendments to IFRS Accounting Standards

Improvements/amendments to IFRS Accounting Standards contained numerous amendments to IFRS Accounting Standards that the IASB considers non-urgent but necessary. 'Improvements to IFRS Accounting Standards' 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 Accounting Standards. The amendments are effective for the Group's future accounting year with earlier adoption.

Standards, amendments and interpretations effective and adopted in 2023

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2023 and has been adopted in the preparation of these consolidated financial statements:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	Presentation of financial statements	1 January 2023
IAS 8	Accounting policies, changes in accounting estimates and errors	1 January 2023

IAS 1 Presentation of financial statements

In February 2021, the International Accounting Standard Board ("IASB") has issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The Group has applied amendments and disclosed the impact in Note 4 to the consolidated financial statements. Other than that these amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the International Accounting Standard Board ("IASB") issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

The Group has adopted the amendments of IAS 8 and had no significant impact on the consolidated financial statements.

3 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective 2023 but not relevant

The following new amendments to existing IFRS Accounting Standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2023 or subsequent periods but is not relevant to the Group's operations.

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 12	Income Taxes	1 January 2023/1 May 2023
IFRS 17	Insurance contracts	1 January 2023

Standards, amendments and interpretations issued but not yet effective in 2023

The following new/amended IFRS Accounting Standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2023. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2023 and will or may have an effect on the entity's future consolidated financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1	Presentation of financial statements	1 January 2024
IAS 7	Statement of Cash Flows	1 January 2024
IFRS 7	Financial Instruments: Disclosures	1 January 2024
IFRS 16	Leases	1 January 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 2025

Early adoption of amendments or standards in 2023

The Group did not early-adopt any new or amended standards in 2023. There would have been no change in the operational results of the Group for the year ended 31 December 2023 had the Group early adopted any of the above standards applicable to the Group.

4 Material accounting policy information

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.

4 Material accounting policy information (continued)

Investment properties (continued)

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.

4 Material accounting policy information (continued)

Leases (continued)

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.

4 Material accounting policy information (continued)

Leases (continued)

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.

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.

4 Material accounting policy information (continued)

Financial assets (continued)

Financial assets at amortised cost (continued)

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.

Financial liabilities

The financial liabilities of the Group consist of and trade and other payables, murabaha facility, term loans and lease liabilities. 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 and term loan

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.

4 Material accounting policy information (continued)

Employees' terminal benefits (continued)

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.

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.

4 Material accounting policy information (continued)

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.

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.

5 Critical accounting judgment and key source of estimation uncertainty (continued)

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.

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 2023 and 2022 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.

5 Critical accounting judgment and key source of estimation uncertainty (continued)

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 2023, in the opinion of the management, a provision of BD17,898 was considered necessary against trade receivables (2022: 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 2023, in the opinion of Group's management a provision of BD78,863 (2022: 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.

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 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
Additions	-	-	47,351	-	47,351
Disposals	-	-	-	(17,590)	(17,590)
At 31 December 2023	<u>821,716</u>	<u>1,303,015</u>	<u>12,355,360</u>	<u>179,447</u>	<u>14,659,538</u>
Accumulated depreciation & Impairment					
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
Charge for the year*	41,086	1,118	1,002,828	1,831	1,046,863
Impairment**	-	-	1,635,119	-	1,635,119
Disposals	-	-	-	(17,590)	(17,590)
At 31 December 2023	<u>298,971</u>	<u>1,276,185</u>	<u>10,537,403</u>	<u>179,416</u>	<u>12,291,975</u>
Net book amount					
At 31 December 2023	<u>522,745</u>	<u>26,830</u>	<u>1,817,957</u>	<u>31</u>	<u>2,367,563</u>
At 31 December 2022	<u>563,831</u>	<u>27,948</u>	<u>4,408,553</u>	<u>1,862</u>	<u>5,002,194</u>

* During the year, the Group has decided not to renew the lease of Seef 1 and decided to close its operations by 31 March 2024. Accordingly, the Group has charged the accelerated depreciation amounting to BD234,174.

** Impairment relates to Trax-Go karting assets. Considering the fact, that the Group is incurring continuous cash losses from Trax, the Group has performed the impairment assessment on Trax assets value in use and concluded that the amount of BD1,635,119 is required to be impaired. Furthermore, due to recurring losses, the management is in consideration to cease the business operation of Trax.

7 Capital work-in-progress

	31 December 2023	31 December 2022
Opening balance	-	1,969,736
Transfer to property, plant and equipment (Note 6)	-	(1,832,874)
Transfer to security deposits	-	(2,716)
Written-off	-	(134,146)
Closing balance	-	-

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 in the year 2022.

8 Investment properties

	31 December 2023	31 December 2022
Opening balance	23,078,000	22,314,085
Additions	17,149	49,162
Unrealised fair value (loss)/gain, net (Note 27)	(40,149)	714,753
Closing balance	23,055,000	23,078,000

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 loss of BD40,149 (2022: unrealised fair value gain of BD714,753) has been recognised for the year ended 31 December 2023 in the consolidated statement of profit or loss and other comprehensive income.

Bahrain Cinema Company B.S.C.
Notes to the consolidated financial statements for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

9 Right-of-use assets

<i>Cost</i>	<u>Theatres</u>	<u>Restaurants</u>	<u>Leisure and amusement</u>	<u>Office building</u>	<u>Others</u>	<u>Total</u>
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	<u>5,452</u>	<u>-</u>	<u>(70,827)</u>	<u>-</u>	<u>-</u>	<u>(65,375)</u>
At 31 December 2022	4,142,370	814,394	721,558	131,825	20,456	5,830,603
Additions	303,161	74,148	-	-	-	377,309
Retirement	(303,161)	-	-	-	-	(303,161)
Lease termination	-	(247,398)	(707,624)	-	-	(955,022)
Modifications	<u>23,235</u>	<u>-</u>	<u>18,097</u>	<u>-</u>	<u>-</u>	<u>41,332</u>
At 31 December 2023	<u>4,165,605</u>	<u>641,144</u>	<u>32,031</u>	<u>131,825</u>	<u>20,456</u>	<u>4,991,061</u>
<i>Accumulated amortisation</i>						
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 year	317,080	196,000	144,071	79,736	-	736,887
Retirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,557)</u>	<u>-</u>	<u>(289,557)</u>
At 31 December 2022	2,621,708	533,871	157,277	47,251	20,456	3,380,563
On lease retirement	(303,161)	-	-	-	-	(303,161)
On lease termination	-	(127,689)	(273,938)	-	-	(401,627)
Charge for the year	<u>627,977</u>	<u>140,737</u>	<u>148,692</u>	<u>65,913</u>	<u>-</u>	<u>983,319</u>
At 31 December 2023	<u>2,946,524</u>	<u>546,919</u>	<u>32,031</u>	<u>113,164</u>	<u>20,456</u>	<u>3,659,094</u>
<i>Carrying value</i>						
31 December 2023	<u>1,219,081</u>	<u>94,225</u>	<u>-</u>	<u>18,661</u>	<u>-</u>	<u>1,331,967</u>
31 December 2022	<u>1,520,662</u>	<u>280,523</u>	<u>564,281</u>	<u>84,574</u>	<u>-</u>	<u>2,450,040</u>

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

	<u>Year ended 31 December 2023</u>	<u>Year ended 31 December 2022</u>
Operating costs	917,406	657,151
General and administrative expenses (Note 26)	<u>65,913</u>	<u>79,736</u>
	<u>983,319</u>	<u>736,887</u>

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 2023	Year ended 31 December 2022
General and administrative expenses	-	(7,196)

11 Investment in an associate

	31 December 2023	31 December 2022
Opening balance	10,099,872	9,677,134
Share of profit for the year (Note 27)	4,111	422,738
Closing balance	10,103,983	10,099,872

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 2023.

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:

	31 December 2023 (Audited)	31 December 2022 (Audited)
Non-current assets	4,043,891	3,203,741
Current assets	1,471,424	1,459,510
Non-current liabilities	(85,383)	(78,898)
Current liabilities	(3,125,286)	(2,287,930)
Net assets	2,304,646	2,296,423
Group's share of net assets of the associates	1,152,323	1,148,212
Operating revenue	3,916,026	4,159,624
Net profit for the year	8,223	845,476
Group's share of net profit of the associate	4,111	422,738

12 Financial assets at amortised cost

	31 December 2023	31 December 2022
Investment in Bonds	<u>14,000,624</u>	<u>13,968,954</u>
Movement during the year		
Opening balance	13,968,954	-
Additions during the year	-	13,950,627
Interest Income - discount amortization (Note 27)	<u>31,670</u>	<u>18,327</u>
Closing balance	<u>14,000,624</u>	<u>13,968,954</u>

Amortised cost investments represent investment in Bonds, 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 2023	31 December 2022
United States Dollar	<u>14,000,624</u>	<u>13,968,954</u>

13 Inventories

	31 December 2023	31 December 2022
Food and beverages and spares equipment	201,910	255,979
Provision for obsolete and slow-moving inventories	<u>(78,863)</u>	<u>(109,290)</u>
	<u>123,047</u>	<u>146,689</u>

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

	31 December 2023	31 December 2022
Opening balance	109,290	109,290
Provided during the year (Note 26)	6,424	-
Written-off during the year	<u>(36,851)</u>	<u>-</u>
Closing balance	<u>78,863</u>	<u>109,290</u>

14 Trade and other receivables

	31 December 2023	31 December 2022
Trade receivables	137,605	221,018
Provision for impaired trade receivables	<u>(17,898)</u>	<u>(17,898)</u>
	119,707	203,120
Loan to a related party (Note 33)	614,770	300,000
Interest on bonds and sukuks	341,172	374,165
Receivable from fund manager	248,092	-
Deposits/rental advance	180,119	338,480
Prepayments	65,390	54,617
Amounts due from a related party (Note 33)	24,319	21,703
Interest free loans to employees	17,176	33,461
Advances to supplier	-	316
Receivable on disposal of business operations*	-	3,152,352
Other receivables	<u>4,475</u>	<u>50,562</u>
	<u>1,615,220</u>	<u>4,528,776</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. As of 1 October 2023, the Group has received the remaining amount BD3,152,352.

	31 December 2023	31 December 2022
Current portion	<u>-</u>	<u>3,152,352</u>
	<u>-</u>	<u>3,152,352</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 2023	31 December 2022
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 2023	31 December 2022
Quoted equity investments	9,727,684	9,698,053
Unquoted investments and managed funds	265,173	354,284
Bonds and sukuku	<u>9,328,532</u>	<u>9,414,365</u>
	<u>19,321,389</u>	<u>19,466,702</u>
Movement during the year		
Opening balance	19,466,702	20,157,127
Additions	374,055	498,225
Disposals	(1,042,429)	(729,427)
Unrealised fair value gain / (loss) on financial assets at fair value through profit or loss, net (Note 27)	<u>523,061</u>	<u>(459,223)</u>
Closing balance	<u>19,321,389</u>	<u>19,466,702</u>
	31 December 2023	31 December 2022
Non-current assets	9,992,857	10,052,337
Current assets	<u>9,328,532</u>	<u>9,414,365</u>
	<u>19,321,389</u>	<u>19,466,702</u>

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 sukuku 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 2023.

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

Currency	31 December 2023	31 December 2022
Bahrain Dinar	8,846,217	8,735,034
Kuwait Dinar	879,990	814,752
United States Dollar	9,593,705	9,915,313
Oman Riyal	<u>1,477</u>	<u>1,603</u>
	<u>19,321,389</u>	<u>19,466,702</u>

Bonds and Sukuku amounting to BD9,264,177 (2022: BD9,407,768) are held as collateral against the murabaha facility (Note 19).

16 Cash and bank balances

	31 December 2023	31 December 2022
Current account balances with banks	260,015	209,824
Cash on hand	<u>48,965</u>	<u>65,303</u>
	<u>308,980</u>	<u>275,127</u>

Current account balances with banks are profit bearing.

17 Share capital

	31 December 2023	31 December 2022
Authorised		
100,000,000 ordinary shares of 100 fils each (2022: 100,000,000 ordinary shares of 100 fils each)	<u>10,000,000</u>	<u>10,000,000</u>
Issued, subscribed and fully paid-up:		
82,623,450 ordinary shares of 100 fils each (2022: 82,623,450 ordinary shares of 100 fils each)	<u>8,262,345</u>	<u>8,262,345</u>
Treasury shares		
3,806,649 ordinary shares of 100 fils each (2022: 3,709,737 ordinary shares of 100 fils each)	<u>380,666</u>	<u>370,975</u>

Treasury shares

During the year, 96,912 treasury shares were acquired having a nominal value of BD9,691 at the rate BD0.28 amounting to BD27,210 according to Article 8 of the Articles of Association of the Company which allows a purchase up to 10% of the Company's issued and fully paid-up share capital. The nominal value of these shares has been disclosed as a deduction from reserves. However, the difference between the nominal value of the acquired shares, and the purchase price, amounting to BD17,519 has been adjusted against share premium. The Company holds 3,806,649 (2022: 3,709,737) (4.61% of the total issued and paid-up share capital) as treasury shares as at 31 December 2023 (2022: 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:

<u>31 December 2023</u>	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of share-holding interest</u>
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	<u>73,685,059</u>	<u>89.18%</u>
		<u>82,623,450</u>	<u>100%</u>
<u>31 December 2022</u>	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of share-holding interest</u>
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	<u>73,685,059</u>	<u>89.18%</u>
		<u>82,623,450</u>	<u>100%</u>

17 Share capital (continued)

Additional information on shareholding pattern (continued)

- 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:

<u>31 December 2023</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares</u>
Less than 1%	575	33,062,463	40.02%
Between 1% and 5%	27	40,622,596	49.17%
Between 5% and 10%	2	8,938,391	10.81%
	<u>604</u>	<u>82,623,450</u>	<u>100%</u>
<u>31 December 2022</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares</u>
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>

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

	<u>2023 Number of shares</u>	<u>2022 Number of shares</u>
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	2,008,339
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>10,692,532</u>

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 (2022: BDNil).

18 Reserves (continued)

(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 2023 (2022: BDNil).

(iv) Charity reserve

This represents the reserve set aside for charity. During the year, BD37,269 has been transferred to this reserve (2022: BD14,312). During the year, a payment of BD73,510 was made out of this reserve (2022: BD8,000).

(v) Retained earnings

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

19 Murabaha facility

	Note	31 December 2023	31 December 2022
Murabaha facility	(a)	-	199,645
Commodity murabaha	(b)	<u>4,978,367</u>	<u>4,978,367</u>
		4,978,367	5,178,012
Current portion of Murabaha facility		<u>(4,978,367)</u>	<u>(5,178,012)</u>
Non-current portion of Murabaha facility		<u>-</u>	<u>-</u>

(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. This facility has been fully repaid during the year.

(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 2023	31 December 2022
Long term loan	(a)	6,473,616	7,344,197
Liquidity support loan	(b)	<u>424,943</u>	<u>756,141</u>
		6,898,559	8,100,338
Current portion of term loans		<u>(339,573)</u>	<u>(331,198)</u>
Non-current portion of term loans		<u>6,558,986</u>	<u>7,769,140</u>

(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 2023	31 December 2022
Employees' terminal benefits	(a)	425,362	360,234
Employees' other benefits	(b)	<u>-</u>	<u>564,827</u>
		<u>425,362</u>	<u>925,061</u>

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 2023 amounted to BD107,342 (2022: BD85,946).

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

	31 December 2023	31 December 2022
Opening balance	360,234	314,533
Accruals for the year	74,281	49,309
Payments during the year	<u>(9,153)</u>	<u>(3,608)</u>
Closing balance	<u>425,362</u>	<u>360,234</u>
Number of staff employed by the Group	<u>252</u>	<u>272</u>

b) Other benefits

During the year 2017, the Group provided an amount of BD3,913,056 (10% of the gain on the sale of City Centre operations) as ex-gratia for their existing employees. During the year, the remaining amount of BD564,827 was paid to employees thereby, the provision amount of 2017 is fully settled as of 31 December 2023.

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22 Lease liabilities

	31 December 2023	31 December 2022
Opening balance	2,837,200	3,780,978
Lease payments	(1,054,879)	(969,121)
Liabilities no longer payable written-off and rent concessions (Note 25)	(131,084)	(254,766)
Lease modification	41,332	(65,375)
Additions	377,309	318,461
Lease termination	(556,827)	(69,413)
Finance charges (Note 28)	83,612	96,436
Closing balance	1,596,663	2,837,200
Less: current portion of lease liabilities	(415,409)	(700,941)
Non-current portion of lease liabilities	1,181,254	2,136,259
Maturity analysis - contractual undiscounted cash flows		
	31 December 2023	31 December 2022
Less than one year	455,876	773,023
One to five years	1,238,926	2,138,194
More than five years	-	-
Total undiscounted lease liabilities	1,694,802	2,911,217

23 Trade and other payables

	31 December 2023	31 December 2022
Trade payables	421,107	390,203
Accruals	521,775	536,623
Provision for rental charges and penalty	461,160	-
Amounts due to related parties (Note 33)	58,904	34,679
Employees benefit provisions	79,150	96,286
Advance from customers	146,898	152,018
Other payables	95,968	101,900
	1,784,962	1,311,709

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 2023	31 December 2022
Bank overdrafts	-	958,260
Bank overdraft facilities limit	4,640,000	4,640,000

The Group has bank overdraft facilities amounting to BD4,640,000 as at 31 December 2023 (2022: 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 (2022: between BIBOR/BHIBOR plus 1.75% to 2.50% per annum) and are repayable on demand

Bahrain Cinema Company B.S.C.

Notes to the consolidated financial statements for the year ended 31 December 2023
(Expressed in Bahrain Dinars)

25 Other income

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income on long-term receivables	106,393	248,247
Interest income on loan to a related party (Note 33)	86,873	-
Gain on lease termination	3,432	-
Profit on sale of property, plant and equipment	1,998	-
Management fee	57,530	45,360
Liabilities no longer payable written-off/ rent concession (Note 22)	131,084	254,766
Miscellaneous income	<u>109,322</u>	<u>118,734</u>
	<u>496,632</u>	<u>667,107</u>

26 General and administrative expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Staff costs	803,376	814,244
Impairment loss on trax operations	1,810,326	-
Provision for rental charges and penalty	461,160	-
Social insurance	107,342	85,946
Maintenance expenses	84,421	37,154
Amortisation on right-of-use assets (Note 9)	65,913	79,736
Government fees	44,488	41,710
Professional fee	36,502	14,361
Printing and stationary	15,749	15,026
Insurance expenses	13,887	6,843
Donations	7,320	7,599
Provision for obsolete inventories (Note 13)	6,424	-
Directors' remuneration and sitting fee	134,500	132,000
Loss on termination of right of use assets	-	79,340
Pre-operating projects cost	-	132,427
Red dragon capital work-in-progress written-off	-	134,146
Red dragon project advances written-off	-	69,651
Other expenses	<u>182,014</u>	<u>162,703</u>
	<u>3,773,422</u>	<u>1,812,886</u>

27 Income from investments, net

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income from bonds and sukuk	736,006	893,334
Dividend income	691,568	522,530
Unrealised gain /(loss) on financial assets at fair value through profit or loss, net (Note 15)	523,061	(459,223)
Interest income - discount amortization (Note 12)	31,670	18,327
Unrealised fair value (loss) / gain on investment properties (Note 8)	(40,149)	714,753
Net share of profit/(loss) from investment in associate (Note 11)	4,111	422,738
Interest income on bank current accounts balances	<u>-</u>	<u>18,278</u>
	<u>1,946,267</u>	<u>2,130,737</u>

28 Finance costs

	Year ended 31 December 2023	Year ended 31 December 2022
Interest on bank overdraft and bank charges	139,230	76,585
Interest on lease liability (Note 22)	83,612	96,436
Interest on term loan	15,146	16,732
Interest on murabaha facility	<u>1,001</u>	<u>12,401</u>
	<u>238,989</u>	<u>202,154</u>

29 (Loss)/earnings per share

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

	31 December 2023	31 December 2022
Net (loss)/profit attributable to the shareholders	<u>(1,877,571)</u>	<u>1,143,485</u>
Weighted average number of ordinary shares issued	<u>78,878,652</u>	<u>78,913,713</u>
Basic and diluted (loss)/earnings per share	<u>(24) fils</u>	<u>14 fils</u>

The (loss)/earning per share has been computed on the basis of net (loss)/profit for the year divided by the weighted average number of shares outstanding for the year being 78,878,652 net of 3,806,649 weighted average treasury shares. There are no potentially dilutive ordinary shares at 31 December 2023 (2022: Nil), hence the diluted and basic (loss) / earnings per share are the same.

30 Dividends and directors' remuneration

Dividends

Declared and paid

Dividend amounting to BD1,183,623 has been recommended, approved and paid for the year 2022 (2021: BD1,183,706).

Proposed by the Board of Directors

The Board of Directors of the Group have proposed dividend for the year ended 31 December 2023 amounting to BD1,182,170 (2022: BD1,183,623). 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 2023 (2022: BD104,000). 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 2023 amounting to BD104,000 (2022: BD104,000). This is subject to the approval of shareholders in the Annual General Meeting.

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 2023

	Theatre operations	Restaurants and concession counters	Rental and others	Total
Revenues				
Total external sales	1,680,745	1,502,935	1,784,769	4,968,449
Less: total variable cost	<u>(860,245)</u>	<u>(478,972)</u>	<u>-</u>	<u>(1,339,217)</u>
Segment results	<u>820,500</u>	<u>1,023,963</u>	<u>1,784,769</u>	<u>3,629,232</u>
Less: fixed cost				<u>(3,937,291)</u>
Operating gross loss				(308,059)
Other income				496,632
Income from investments, net				1,946,267
General and administrative expenses				(3,773,422)
Finance cost				<u>(238,989)</u>
Net loss for the year from continuing operations				<u>(1,877,571)</u>

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	<u>(918,959)</u>	<u>(539,070)</u>	<u>-</u>	<u>(1,458,029)</u>
Segment results	<u>925,759</u>	<u>1,214,134</u>	<u>1,684,916</u>	<u>3,824,809</u>
Less: fixed cost				<u>(3,456,932)</u>
Operating gross profit				367,877
Other income				667,107
Income from investments, net				2,130,737
General and administrative expenses				(1,812,886)
Finance cost				<u>(202,154)</u>
Net profit for the year from continuing operations				<u>1,150,681</u>

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

32 Contingencies and capital commitments

As at 31 December 2023, the Group do not have any contingent liabilities arising in the ordinary course of business (2022: BDNil).

As at 31 December 2023, the Group do not have any capital commitments arising in the ordinary course of business (2022: 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 2023	Year ended 31 December 2022
<u>Qatar Bahrain International Cinema W.L.L.</u>		
Staff salaries-Reimburse	1,971	1,500
Other expenses-Reimburse	30,895	44,975
Management fees	37,050	45,360
<u>Vox Cineco Cinema Company W.L.L.</u>		
Interest on loan (Note 25)	86,873	-
Other expenses	-	284
<u>Directors' salaries, remuneration and sitting fee</u>		
Directors' salaries	204,000	204,000
Directors' remuneration	104,000	104,000
Directors' sitting fee	30,500	28,000
Directors' other benefits	38,826	111,899
<u>Entities under common directorship</u>		
Direct expenses	36,072	34,555
Other expenses	156,407	98,487
Rent expenses for corporate office	82,739	82,083
<u>Key management personnel remuneration*</u>		
Salaries and other short-term benefits	392,617	410,020
Salaries and other long-term benefits	58,247	34,084

33 Transactions and balances with related parties (continued)

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

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 2023	31 December 2022	31 December 2023	31 December 2022
Qatar Bahrain International Cinema W.L.L.	Joint venture	24,319	21,703	-	-
Vox Cineco Cinema Company W.L.L.	Associate Company Common	-	-	6,247	6,246
Various entities*	directorship	-	-	52,657	28,433
		<u>24,319</u>	<u>21,703</u>	<u>58,904</u>	<u>34,679</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 2023	31 December 2022
Loan to a related party (Note 14)			
Vox Cineco Cinemas Company W.L.L.	Associate	<u>614,770</u>	<u>300,000</u>

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 2023 amounting to BD104,000 (2022: 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, financial asset at amortised cost, trade and other receivables, murabaha facility, lease liability, 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.

34 Financial assets and liabilities and risk management (continued)

A summary of the financial instruments held by category is provided below as at 31 December 2023:

<u>Financial assets</u>	<u>Fair value through profit or loss</u>	<u>Amortised cost</u>
Trade and other receivables, excluding prepayments	-	1,549,830
Financial assets at fair value through profit or loss	19,321,389	-
Financial assets at amortised cost	-	14,000,624
Cash and bank balances	-	308,980
Total financial assets	19,321,389	15,859,434
<u>Financial liabilities</u>		<u>Financial liabilities at amortised cost</u>
Trade and other payables, net of employee costs		1,705,812
Long term loan		6,898,559
Murabaha facilities		4,978,367
Total financial liabilities		13,582,738

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

<u>Financial assets</u>	<u>Fair value through profit or loss</u>	<u>Amortised cost</u>
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
<u>Financial liabilities</u>		<u>Financial liabilities at amortised cost</u>
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

34 Financial assets and liabilities and risk management (continued)

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:

<u>Description</u>	<u>Change</u>	<u>Impact on equity/profit</u>
Financial assets at fair value through profit or loss	+/-5%	+/- 966,069
Financial assets at fair value through profit or loss	+/-10%	+/- 1,932,138

34 Financial assets and liabilities and risk management (continued)

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.

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 2023 and 2022.

34 Financial assets and liabilities and risk management (continued)

Fair value measurement (continued)

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:

<u>Non-financial assets</u>	<u>Fair value at 31 December 2023</u>	<u>Fair value at 31 December 2022</u>	<u>Level of hierarchy</u>	<u>Valuation technique used and key inputs</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between unobservable inputs and fair value</u>
Investment properties	23,055,000	23,078,000	L2	Independent valuation reports dated 31 December 2023	Current market rates and rate per sq.mtr	Positive correlation between the rate per sq.mtr and the market value
<u>Financial assets</u>						
Quoted investments	9,727,684	9,698,053	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted equity investments/managed funds	265,173	354,284	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	9,328,532	9,414,365	L1	Indicative prices from Bloomberg provided by Group's brokers	Not applicable	Not applicable

34 Financial assets and liabilities and risk management (continued)**Fair value measurement (continued)**

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

	<u>Unquoted equity investments/managed funds</u>
At 31 December 2022	354,284
Unrealised fair value gain	229,191
Disposals during the year	<u>(318,302)</u>
At 31 December 2023	<u>265,173</u>
	<u>Unquoted equity investments/managed funds</u>
At 31 December 2021	488,158
Unrealised fair value gain	29,489
Disposals during the year	<u>(163,363)</u>
At 31 December 2022	<u>354,284</u>

There are no transfers between levels during the year 2022 and 2023.

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 2023 and 2022.

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.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Term loan	6,898,559	8,100,338
Lease liability	1,596,663	2,837,200
Trade and other payables	1,784,962	1,311,709
Bank overdrafts	-	958,260
Less: cash and cash equivalents	<u>(308,980)</u>	<u>(275,127)</u>
Net debt	<u>9,971,204</u>	<u>12,932,380</u>
Total capital	<u>56,543,860</u>	<u>59,705,774</u>
Total capital and net debt	<u>66,515,064</u>	<u>72,638,154</u>
Gearing ratio	<u>14.99%</u>	<u>17.81%</u>

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.

	<u>1 January 2023</u>	<u>Obtained during the year</u>	<u>Finance costs accrued</u>	<u>Principal repaid during the year</u>	<u>Finance costs paid</u>	<u>Transferred to current liabilities</u>	<u>Non-current portion 31 December 2023</u>
Murabaha facility	<u>199,645</u>	<u>-</u>	<u>1,001</u>	<u>(199,645)</u>	<u>(1,001)</u>	<u>-</u>	<u>-</u>
Total	<u>199,645</u>	<u>-</u>	<u>1,001</u>	<u>(199,645)</u>	<u>(1,001)</u>	<u>-</u>	<u>-</u>

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

36 Events after reporting date

There were no significant events subsequent to 31 December 2023 and occurring before the date of the report that are expected to have a significant impact on these consolidated financial statements.