

**Bahrain Cinema Company B.S.C.**

**Consolidated financial statements  
for the year ended 31 December 2021**

**Bahrain Cinema Company B.S.C.**  
**Consolidated financial statements for the year ended 31 December 2021**

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**Bahrain Cinema Company B.S.C.**  
**Administration and contact details as at 31 December 2021**

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<b>Commercial registration no</b>	1192 obtained on 11 August 1968 (Also refer Note 1)
<b>Directors</b>	<div> 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 </div>
<b>Chief Executive Officer</b>	Ahmed AbdulRahman Rashed Albastaki
<b>Audit committee</b>	<div> Shawqi Ali Yusuf Fakhro - Chairman  Fareed Yusuf Khalil Almoayyed  Jalal Mohamed Yusuf Jalal </div>
<b>Registered office</b>	27 <sup>th</sup> Floor Building 470, Road 1010 Block 410 Fakhro Tower PO Box 26573 Sanabis Kingdom of Bahrain
<b>Bankers</b>	National Bank of Bahrain Bank of Bahrain and Kuwait Ahli United Bank National Bank of Kuwait Mashreq Bank Arab Bank Al Salam Bank
<b>Auditors</b>	BDO 17 <sup>th</sup> Floor, Diplomatic Commercial Office Tower PO Box 787 Diplomatic Area Kingdom of Bahrain
<b>Share registrar</b>	Bahrain Clear B.S.C. (c) PO Box 3203 Manama Kingdom of Bahrain
<b>Support share registrar</b>	KFin Technologies (Bahrain) W.L.L. PO Box 514 Manama Kingdom of Bahrain

**Bahrain Cinema Company B.S.C.**  
**Chairman's report**  
**For the year ended 31 December 2021**

## **CHAIRMAN'S MESSAGE TO SHAREHOLDERS**

**Dear Shareholders,**

On behalf of the Board of Directors, I take this opportunity to present the Annual Report of the Group's performance for the financial year, 2021, where the backdrop is unfortunately not as ideal as we would like it to be. The ongoing COVID-19 pandemic has clouded over most of FY 21 and catalyzed unprecedented challenges on the humanity, and I take this opportunity to send thoughts and prayers to all stakeholders affected by this crisis, including the families, friends and relatives of the valued members of our company. We have not suffered a global health crisis of this magnitude in generations, and are more than grateful to the leadership of Kingdom of Bahrain for their effective management of this Pandemic relief measures. The cinemas not just in Bahrain but across the globe continue to suffer from the temporary lockdowns, restrictions and uncertainties. As we slowly recover from the disruptions of the pandemic, the cinema industry is no longer the same as it used to be before COVID-19.

After successive closures and re-openings, the cinemas finally re-opened in July 2021 but with subdued capacity. Our Group's priority was to ensure the health and safety of our customers as the cinemas were re-opened. The cinema attendance, however, has not been encouraging as many of the movie releases were either postponed or released directly on the Over-The-Top (OTT) platforms such as Netflix, Amazon Prime Video & Disney+Hotstar. The theatrical screening of the movies in Kingdom of Saudi Arabia has also affected the attendance in the cinemas across Bahrain.

Our immediate focus in response to the pandemic was to mitigate the risk and losses and to observe cost control to ensure that the liquidity of the Company was adequate. The income from the investment in real estate and capital market helped us to meet the operational expenses and survive through the unprecedented times.

The continuing effects of COVID-19 presented serious operational challenges for the Company as we were compelled to take some difficult decisions. Consequently, the agreement with Eagle Hills Diyar Company for development of 13 screens Cineplex in Marassi Al Bahrain was terminated. Further, the management of the 2 screen Cineplex in Galleria Mall in Dubai was also transferred to the third party and the management agreement with the landlord was terminated.

### **Financial Highlights for the year 2021:**

I would now like to present the highlights of our Group's performance during the year 2021. From a results perspective, the pandemic and related restrictions heavily impacted our performance in comparison with pre-COVID-19 times. However, implementing cost cutting initiatives at all levels of the organization played a key role in the Group's resilience and the Group reported profits within one year. Operating income for the financial year 2021 was BD 2.31 million as compared to BD 2.24 million registered in the previous financial year. The Group had recorded net profit of BD 1.04 million for the year 2021 in comparison to the Net loss of BD 14.13 million in the year 2020. The earning per share for the year 2021 was 13 fils. The total balance sheet footings stood at BD 72.34 million.

**Bahrain Cinema Company B.S.C.  
Chairman's report  
For the year ended 31 December 2021**

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**Future outlook:**

The Group has experienced financial and operational constraints due to COVID-19 which caused inadvertent delays in some of the projects. We are happy to share the news that the Go-karting project in Bahrain Mall will be open for public in the first quarter of 2022. Go-karting in Bahrain Mall will have four sections viz., Indoor Go-karting, mirror maze, roller skate track and rope climbing game which will mark as a new entertainment hub for the people.

The pandemic is a great reminder that change is inevitable and therefore the Group remains dedicated to respond and transform in response to the evolving market conditions. The Group is focused to improve the performance of its core competencies and assets in line with our asset light strategy. The Group is evaluating the possibility of managing and running the cinemas on behalf of the Mall owners rather than entering into the lease agreements and making huge investments until challenges related COVID-19 subsides.

The Group is focused on creating new revenue streams considering the effects of the pandemic on the cinema and restaurant business and we will update our new investment plans in the coming year.

**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 2021 forms a part of this annual report.

**CSR Initiatives & ESG Reporting:**

We believe that a business cannot thrive on its own and the corporate actions impact the lives of all and so it is imperative for the businesses to be socially responsible. We believe in harmonious growth and sustainable development of the society and environment. During the year, we engaged in some CSR activities which are detailed in the Corporate Governance report and we have attached First ESG report for the year 2021 in the Corporate Governance Report.

**Proposed Appropriations:**

Last year due to our focus on protecting liquidity and considering the loss for the year, we had not proposed any dividends for the year 2020. This was a severe blow to our company's commitment for uninterrupted dividend history. We are happy to propose a nominal dividend for the current year 2021 based on the current year performance.

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

Cash Dividend of 15% BD 1,183,706 equal to 15 fils per share.

**Bahrain Cinema Company B.S.C.**  
**Chairman's report**  
**For the year ended 31 December 2021**

**Directors' Remuneration & Executive Salaries:**

The Board of Directors of the Group have unanimously decided to distribute the remuneration amounting to BD 104,000 and waive the sitting fees for attending Board and committee meetings for the year 2021 to alleviate some financial burden of the group.

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 2021 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	Remunerations of the chairman and BOD	Fixed remunerations				Variable remunerations					End-of-service award	Aggregate amount	Expense s Allowan ce
		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 Directors:													
1- Ali Yusuf Ali Ubaydli	13,000	-	-	-	-	-	-	-	-	-	-	-	-
2-Mohammed Ebrahim Khalil Kanoo	13,000	-	-	-	-	-	-	-	-	-	-	-	-
3-Shawqi Ali Yusuf Fakhro	13,000	-	-	-	-	-	-	-	-	-	-	-	-
4-Jalal Mohamed Yusuf Jalal	13,000	-	-	-	-	-	-	-	-	-	-	-	-
5-Fareed Yusuf Khalil Almoayyed	13,000	-	-	-	-	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1- Jihad Yusuf Abdulla Amin	13,000	-	-	-	-	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1-Dr Esam A. Fakhro	13,000	-	84,000	-	84,000	-	-	-	-	-	-	-	-
2-Ahmed A. Rashed Albastaki	13,000	-	120,000	9,210	129,210	-	-	-	-	-	-	-	-
Total	104,000		204,000	9,210	213,210								

Note (1):All amounts are stated in Bahraini Dinars.

Note (2):No sitting fees was paid to the directors for the year 2021

Note (3):Proposed Board Remuneration for the year 2021 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 2021 to the executive management, including salaries, benefits, ESOPs etc. are disclosed as under:

Executive management	Aggregate Amount	Any other cash/ in kind remuneration for 2021	Total paid remuneration (Bonus)	Total paid salaries and allowances
Top 6 remunerations for executives including CEO* and CFO**	271,234	42,782	-	314,017

Note: All amounts are stated in Bahraini Dinars.

\* The highest authority in the executive management of the Company

\*\* The Company's highest financial officer



**Bahrain Cinema Company B.S.C.**  
**Chairman's report**  
**For the year ended 31 December 2021**

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**Acknowledgements:**

I would like to thank all our team members for their dedication and the board of directors for their continued guidance and support. We deeply value the faith, guidance and support of all our shareholders.

On behalf of the Board of Directors and the blessing of Almighty God, I would like to express my 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 co-operation and constant support. I 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:**

As we stride through yet another year of the pandemic, the uncertainty involving the extent and repercussions of COVID-19 remains and our reaction in face of these extraordinary times and the Companies' approach to adapt and evolve through the turbulence will define our success story. Cinema has survived the onslaught of home entertainment which only changed in its format over the years from TV to satellite to VCRs, DVDs, etc. and now to streaming. Over-The-Top (OTT) platforms and Cinema will continue to coexist as both are differentiated by content. While the Over-The-Top (OTT) is long form storytelling, Cinemas are a 3 hours outing for moviecation experience.

Your Company has always persevered and survived through the thick and thin over the years. We are confident that the cinema business will thrive, not now, but later when life will come back to normal once the virus scare is over and people will look at this as a phase in their lives.

Yours sincerely,



**Dr. Esam Abdulla Fakhro**  
**CHAIRMAN**

## **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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for opinion**

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

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2021. 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, and advertising income, 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 9 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 by the Group's management, through their use of independent external experts. Valuation techniques include a combination of using discounted net rental yield and market evidence of transaction prices for similar properties. There is significant measurement uncertainty involved in this valuation.



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

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

#### **Key audit matters (continued)**

##### ***Valuation of investment properties (continued)***

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

##### ***Valuation of financial assets at fair value through profit or loss***

As at 31 December 2021, the Group has investments in both listed and unlisted financial instruments as disclosed in Note 15. Listed financial instruments are fair valued at their quoted price. Management applies significant judgment in the determination of fair values of unlisted investments. Valuation of unlisted financial instruments is achieved using techniques including net asset valuation of the underlying investee companies or the financial information provided by the fund managers. There is significant measurement uncertainty involved in this valuation.

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

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

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

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

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

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

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

#### **Other information**

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

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

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

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

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

## **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**

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 Chairman's report is consistent with the books of account of the Company.

(B) As required by the Ministry of Industry, Commerce and Tourism 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 2021.



Manama, Kingdom of Bahrain  
17 February 2022




**Bahrain Cinema Company B.S.C.**  
**Consolidated statement of financial position as at 31 December 2021**  
**(Expressed in Bahrain Dinars)**

See Auditor's Report dated 17-02-2022  
Signed by BDO, CR No. 10201-04  
Partner: Nath Venkitachalam Viswanath  
Reg. No. 151  
Signature: 

	Notes	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	3,716,409	4,425,862
Capital work-in-progress	8	1,969,736	1,610,429
Investment properties	9	22,314,085	21,910,000
Right-of-use assets	10	3,082,592	2,871,953
Investment in an associate	12	9,677,134	9,692,624
Non-current portion of receivable on disposal of business operations	14	3,152,351	6,304,703
Financial assets at fair value through profit or loss	15	9,952,285	9,337,976
		<u>53,864,592</u>	<u>56,153,547</u>
<b>Current assets</b>			
Inventories	13	153,968	126,582
Trade and other receivables	14	4,157,779	4,030,108
Financial assets at fair value through profit or loss	15	10,204,842	10,589,855
Cash and bank balances	16	3,966,736	3,702,229
		<u>18,483,325</u>	<u>18,448,774</u>
<b>Total assets</b>		<u>72,347,917</u>	<u>74,602,321</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	17	8,262,345	8,262,345
Share premium	18(i)	911,442	911,442
Revaluation reserve	18(ii)	4,557,442	4,557,442
Statutory reserve	18(iii)	4,131,173	4,131,173
Charity reserve	18(iv)	305,695	310,695
Retained earnings	18(v)	41,956,873	40,913,683
Treasury shares	17	(370,975)	(370,975)
		<u>59,753,995</u>	<u>58,715,805</u>
<b>Non-current liabilities</b>			
Non-current portion of Murabaha facility	19	199,645	767,460
Employees' terminal and other benefits	20	1,437,264	2,010,793
Non-current portion of lease liabilities	21	2,442,960	2,360,402
		<u>4,079,869</u>	<u>5,138,655</u>
<b>Current liabilities</b>			
Current portion of Murabaha facility	19	5,546,182	5,502,087
Current portion of lease liabilities	21	1,338,018	1,287,206
Trade and other payables	22	1,629,853	964,583
Bank overdrafts	23	-	2,993,985
		<u>8,514,053</u>	<u>10,747,861</u>
<b>Total liabilities</b>		<u>12,593,922</u>	<u>15,886,516</u>
<b>Total equity and liabilities</b>		<u>72,347,917</u>	<u>74,602,321</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 2021**  
**(Expressed in Bahrain Dinars)**

See Auditor's Report dated 17-02-2022  
Signed by BDO, CR No. 10201-04  
Partner: Nath Venkitachalam Viswanath  
Reg. No. 151  
Signature: 

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Operating income	30	2,317,011	2,242,316
Operating costs		<u>(2,883,411)</u>	<u>(3,218,472)</u>
<b>Operating gross loss</b>		<u>(566,400)</u>	<u>(976,156)</u>
Income/(loss) from investments, net	26	2,010,464	(447,807)
Other income	24	976,632	1,317,271
General and administrative expenses	25	(963,742)	(2,847,392)
Impairment loss on investment in associate	12	-	(10,905,664)
Finance costs	27	<u>(244,425)</u>	<u>(270,474)</u>
<b>Net profit/(loss) and other comprehensive income/(loss) from continuing operations</b>		1,212,529	(14,130,222)
Loss on discontinued operations	11	<u>(169,339)</u>	-
<b>Net profit/(loss) and other comprehensive income/(loss) for the year</b>		<u>1,043,190</u>	<u>(14,130,222)</u>
<b>Basic earnings/(loss) per share</b>	28	<u>Fils 13</u>	<u>Fils (179)</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 2021**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Revaluation reserve</u>	<u>Statutory reserve</u>	<u>Charity reserve</u>	<u>Retained earnings</u>	<u>Treasury shares</u>	<u>Total</u>
At 31 December 2019		8,262,345	927,728	4,557,442	4,131,173	310,695	57,017,385	(368,426)	74,838,342
Dividends for 2019	29	-	-	-	-	-	(1,973,480)	-	(1,973,480)
Purchase of treasury shares	17	-	(16,286)	-	-	-	-	(2,549)	(18,835)
Net loss and other comprehensive loss for the year		-	-	-	-	-	(14,130,222)	-	(14,130,222)
At 31 December 2020		8,262,345	911,442	4,557,442	4,131,173	310,695	40,913,683	(370,975)	58,715,805
Charity paid	18(iv)	-	-	-	-	(5,000)	-	-	(5,000)
Net profit and other comprehensive income for the year		-	-	-	-	-	1,043,190	-	1,043,190
At 31 December 2021		<u>8,262,345</u>	<u>911,442</u>	<u>4,557,442</u>	<u>4,131,173</u>	<u>305,695</u>	<u>41,956,873</u>	<u>(370,975)</u>	<u>59,753,995</u>

**Bahrain Cinema Company B.S.C.**  
**Consolidated statement of cash flows for the year ended 31 December 2021**  
**(Expressed in Bahrain Dinars)**

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
<b>Operating activities</b>			
Net profit/(loss) for the year		1,043,190	(14,130,222)
Adjustments for:			
Depreciation	7	655,949	965,642
Amortisation of cost to right-of-use assets	10	581,746	1,073,442
Impairment loss on property, plant and equipment	25	-	1,060,971
Impairment loss on property, plant and equipment relating to discontinued operations	11	76,513	-
Gain on termination of lease liability		-	(1,214)
Impairment loss on right-of-use assets	25	-	354,990
Lease liability no longer payable written-off	24	-	(277,543)
Pre-operating projects cost written-off		-	158,827
Trade and other receivables written-off	25	-	122,165
Unrealised fair value (gain)/loss on investment properties	9	(402,808)	1,514,749
Loss on disposal of investment properties	25	-	99,670
Impairment loss on investment in associate	12	-	10,905,664
Inventories written-off	25	-	33,079
(Written-off)/provision for obsolete inventories	13	(15,930)	123,643
Rent concession on lease liabilities	21	(380,659)	(319,805)
Net share of loss from investment in joint ventures		-	9,407
Net share of loss from investment in an associate	12	15,490	5,821
Net unrealised gain on financial assets at fair value through profit or loss	26	(615,062)	(265,292)
Dividend income	26	(388,000)	(387,929)
Interest income from trading of bonds	26	(528,145)	(368,944)
Interest income on bank current accounts balances	26	(80,817)	(19,315)
Realised gain on sale of financial assets at fair value through profit or loss	26	(11,122)	(40,690)
Interest income on long term receivable	24	(390,104)	(531,957)
Finance costs	27	244,425	270,474
Capital work in progress written-off	8	85,752	-
Changes in operating assets and liabilities:			
Inventories		(11,456)	(7,721)
Trade and other receivables		(127,671)	523,310
Trade and other payables		665,270	(1,760,738)
Other employee benefits		(557,904)	(557,904)
Employee terminal benefits, net		(15,625)	(118,336)
Net cash used in operating activities		<u>(156,968)</u>	<u>(1,565,756)</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment	7	(23,009)	(107,227)
Purchase of investment properties	9	(1,277)	(120,117)
Proceeds from disposal of business operations		3,152,352	3,152,353
Distribution received from an associate	12	-	1,920,294
Addition in capital work-in-progress		(445,059)	(736,377)
Proceeds from joint venture		-	6,200
Proceeds from sale of investment properties		-	5,000
Proceeds from sale of financial assets at fair value through profit or loss		396,888	75,399
Interest income on long term receivable	24	390,104	531,957
Interest income from bonds and sukuk	26	528,145	368,944
Interest income received on bank current accounts balances	26	80,817	19,315
Dividend received from an associate	12	-	281,467

**Bahrain Cinema Company B.S.C.**  
**Consolidated statement of cash flows for the year ended 31 December 2021 (continued)**  
**(Expressed in Bahrain Dinars)**

	<u>Notes</u>	<u>Year ended 31 December 2021</u>	<u>Year ended 31 December 2020</u>
<b>Investing activities (continued)</b>			
Dividend income received	26	<u>388,000</u>	<u>387,929</u>
Net cash provided by investing activities		<u>4,466,961</u>	<u>5,785,137</u>
<b>Financing activities</b>			
Purchase of treasury shares	17	-	(18,835)
Amount repaid against Murabaha facility		(523,720)	(482,669)
Lease liabilities paid	21	(370,530)	(144,180)
Dividends paid		-	(2,190,156)
Charity paid	18(iv)	(5,000)	-
Finance costs paid		<u>(152,251)</u>	<u>(129,588)</u>
Net cash used in financing activities		<u>(1,051,501)</u>	<u>(2,965,428)</u>
Net increase in cash and bank balances		3,258,492	1,253,953
Cash and cash equivalents, beginning of the year		<u>708,244</u>	<u>(545,709)</u>
Cash and cash equivalents, end of the year		<u>3,966,736</u>	<u>708,244</u>
Comprising:			
Cash and bank balances	16	3,966,736	3,702,229
Bank overdrafts	23	<u>-</u>	<u>(2,993,985)</u>
		<u>3,966,736</u>	<u>708,244</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, Commerce and Tourism 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 furniture and all household articles and sale/trade in other machinery and equipments and parts.

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

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

The audited consolidated financial statements, set out on pages 13 to 59, were approved and authorised for issue by the Board of Directors on 17 February 2022.

## **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 2021</u>	<u>Effective ownership interest 2020</u>
Red Dragon Company S.P.C. *	Kingdom of Saudi Arabia	Restaurant operations and Go-karting business	100%	100%
Cineco Cinema L.L.C.**	United Arab Emirates	Screening of films	100%	100%

\* The Company has not yet started its operations.

\*\* On 5<sup>th</sup> August 2021, the Company's Board of Directors has passed the resolution for the closure of activity of Cineco Cinema L.L.C. Accordingly, the Company has disclosed the operation as discontinued operations in the statement of profit or loss and other comprehensive income during the year 2021 and disclosed the results in Note 11.

The total assets and net profit/(loss) for the year of the above subsidiaries have been extracted for the purpose of consolidation from the unaudited management accounts prepared as at, and for the year ended, 31 December 2021.

## 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 2021</u>	<u>Effective ownership interest 2020</u>
Vox Cineco Cinemas Company W.L.L.	Kingdom of Bahrain	Screening of films, sale of food and beverages	50%	50%

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

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

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

## 3 Basis of preparation

### *Statement of compliance*

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

### 3 Basis of preparation (continued)

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

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

#### *Improvements/amendments to IFRS/IAS*

Improvements/amendments to IFRS/IAS contained numerous amendments to IFRS/IAS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Group's future accounting period with earlier adoption.

#### *Standards, amendments and interpretations effective and adopted in 2021*

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 2021 and has been adopted in the preparation of these consolidated financial statements:



### 3 Basis of preparation (continued)

#### *Standards, amendments and interpretations effective and adopted in 2021 (continued)*

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021

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

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

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

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Group, occurred from January 2021 to October 2021.

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

On 31 March 2021, the IASB issued another amendment to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the above practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. This amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment is to be applied mandatorily by those entities that have elected to apply the previous amendment COVID-19-Related Rent Concessions. Accordingly, the Group has applied the amendment Covid-19-Related Rent Concessions beyond 30 June 2021 in the current annual financial statements.

The effect of applying the practical expedient is disclosed in Note 6(a).

#### *Standards, amendments and interpretations issued and effective in 2021 but not relevant*

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting year beginning on or after 1 January 2021 or subsequent year, but is not relevant to the Group's operations:

### 3 Basis of preparation (continued)

#### *Standards, amendments and interpretations issued and effective in 2021 but not relevant (continue)*

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 32, IFRS 4,7,9 and 16	Interest rate benchmark reform - IBOR 'phase 2'	1 January 2021

#### *Standards, amendments and interpretations issued but not yet effective in 2021*

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2021. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2021 and will or may have an effect on the Group's future consolidated financial statements. In all cases, the Group intends to apply these standards from application date as indicated in the table below:

<u>Standard or interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 3	Reference to the conceptual framework	1 January 2022
IAS 16	Property, plant and equipment - proceeds before intended use	1 January 2022
IAS 37	Onerous contracts - cost of fulfilling a contract	1 January 2022
IAS 1	Disclosure of accounting policies	1 January 2023
IAS 1	Classification of liabilities as current or non-current	1 January 2023
IAS 8	Definition of accounting estimates	1 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17	Amendments to IFRS 17	1 January 2023

#### *Early adoption of amendments or standards in 2021*

The Group did not early-adopt any new or amended standards in 2021. There would have been no change in the operational results of the Group for the year ended 31 December 2021 had the Group early adopted any of the above standards applicable to the Group.

The Group did not early-adopt any new or amended standards in 2021.

#### 4 Significant accounting policies

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

##### *Property, plant and equipment*

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

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

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

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

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

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

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

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

##### *Investment properties*

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

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

#### 4 Significant accounting policies (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 Significant accounting policies (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 or 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 Significant accounting policies (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.



#### 4 Significant accounting policies (continued)

##### ***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) 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.

##### ***b) 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.

##### ***Financial liabilities***

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

##### ***Trade and other payables***

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

##### ***Murabaha facility***

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

#### 4 Significant accounting policies (continued)

##### **Provisions**

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

##### ***Inventories***

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

##### ***Employees' terminal benefits***

###### ***a) Short-term benefits***

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

###### ***b) Post-employment benefits***

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

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

#### 4 Significant accounting policies (continued)

##### *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 for advertising is recognised over time as services are delivered. The transaction price allocated to these services is recognised as the media runs from the start to the end dates specified in the contracts with the customer.

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

##### *Foreign currency transactions*

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

## 5 Critical accounting judgment and key source of estimation uncertainty

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

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

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

### *Economic useful lives of property, plant and equipment*

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

### *Economic useful life of right-of-use assets*

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

### *Classification of investments*

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

### *Revenue recognition*

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

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

***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 2021 and 2020 are disclosed in Note 33.

***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 2021, in the opinion of the management, a provision of BD17,898 was considered necessary against trade receivables (2020: 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 2021, in the opinion of Group's management a provision of BD109,290 (2020: BD125,220) 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 Significant events and transactions

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

- The closure of cinema and restaurants locations due to local governments mandating that shopping centres and other 'non-essential' businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased demand for movies in cinema halls and dine-in restaurants as a consequence of social distancing requirements and recommendations;
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for a Group's primary products.

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

- Rent concessions;
- Government grants;
- Going concern; and
- Commitments and contingencies.

### (a) *Rent concessions*

As discussed in Note 4, the Group has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the year ended 31 December 2021 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of BD380,659 (2020: BD319,805). The effect of this reduction has been recorded in the consolidated statement of profit or loss and other comprehensive income in the year in which the event or condition that triggers those payments occurs.

### (b) *Government grants*

The Group has applied for government support programs introduced in response to the global pandemic. The Group has received a government grant of BD98,662 (2020: BD304,719) relating to supporting the payroll of the Group's employees. The Group has elected to present this government grant by reducing the related staff cost. The Group had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified year of time. The Group does not have any unfulfilled obligations relating to this program. The Group has also received the grant business continuity support amounting to BD125,850 (2020: BD156,000).

**6 Significant events and transactions (continued)**

*(c) Going concern*

The Group has incurred a gross operating loss of BD566,400 (2020: BD976,156) from its core business operations. The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of Covid-19 may contribute to evolve, but at the present time the projections show that the Group has ample resources to continue to operational existence and its going concern positions remain largely unaffected and unchanged from 31 December 2021. As a result, this consolidated financial statements has been appropriately prepared on a going concern basis.

*(d) Commitments and contingent liabilities*

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

No other significant impact has been noted by the management on other financial statement areas during the year ended 31 December 2021.

**Bahrain Cinema Company B.S.C.**  
**Notes to the consolidated financial statements for the year ended 31 December 2021**  
**(Expressed in Bahrain Dinars)**

**7 Property, plant and equipment**

	<u>Freehold land and buildings</u>	<u>Building on leasehold land/leasehold improvements</u>	<u>Fixtures, furniture and office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
<b><i>Cost or revaluation</i></b>					
At 31 December 2019	821,716	1,303,015	10,304,822	201,607	12,631,160
Additions	-	-	107,227	-	107,227
Write-off	-	-	-	(4,570)	(4,570)
At 31 December 2020	821,716	1,303,015	10,412,049	197,037	12,733,817
Additions	-	-	23,009	-	23,009
On discontinued operation (Note 11)	-	-	(90,734)	-	(90,734)
At 31 December 2021	<u>821,716</u>	<u>1,303,015</u>	<u>10,344,324</u>	<u>197,037</u>	<u>12,666,092</u>
<b><i>Accumulated depreciation and impairment</i></b>					
At 31 December 2019	134,627	1,234,646	4,745,291	171,347	6,285,911
Charge for the year	41,086	37,911	871,868	14,777	965,642
Write-off	-	-	-	(4,569)	(4,569)
Impairment**	-	-	1,060,971	-	1,060,971
At 31 December 2020	175,713	1,272,557	6,678,130	181,555	8,307,955
Charge for the year	41,086	1,255	604,845	8,763	655,949
On discontinued operation (Note 11)	-	-	(14,221)	-	(14,221)
At 31 December 2021	<u>216,799</u>	<u>1,273,812</u>	<u>7,268,754</u>	<u>190,318</u>	<u>8,949,683</u>
<b><i>Net book amount</i></b>					
At 31 December 2021	<u>604,917</u>	<u>29,203</u>	<u>3,075,570</u>	<u>6,719</u>	<u>3,716,409</u>
At 31 December 2020	<u>646,003</u>	<u>30,458</u>	<u>3,733,919</u>	<u>15,482</u>	<u>4,425,862</u>

\*\* Impairment relates to Rendezvous Restaurant Wadi Al Sail and Seef Mall and Seef Megaplex Cinema.

**8 Capital work-in-progress**

		31 December 2021	31 December 2020
Opening balance		1,610,429	389,380
Additions during the year		445,059	1,221,049
Written-off		<u>(85,752)</u>	<u>-</u>
Closing balance		<u>1,969,736</u>	<u>1,610,429</u>
		31 December 2021	31 December 2020
Go-karting and rope adventure	(a)	1,799,648	1,428,169
Red Dragon	(b)	170,088	123,688
Marrassi Galleria	(c)	<u>-</u>	<u>58,572</u>
		<u>1,969,736</u>	<u>1,610,429</u>

- (a) The amounts incurred towards the development of Electric Kart Track and rope adventure in Bahrain Mall project is expected to be completed by end of March 2022.
- (b) The amounts incurred towards the development of restaurant in Diyar Muharraq and is expected to be completed by end of March 2022.
- (c) Marrassi Galleria project has been cancelled and written-off during the year.

**9 Investment properties**

		31 December 2021	31 December 2020
Opening balance		21,910,000	23,409,302
Additions		1,277	120,117
Disposals		-	(104,670)
Unrealised fair value gains/(loss), net (Note 26)		<u>402,808</u>	<u>(1,514,749)</u>
Closing balance		<u>22,314,085</u>	<u>21,910,000</u>

Investment property representing Awal property, Seef land and Juffair property and has been fair valued by independent property valuers holding recognised and relevant professional qualifications. The Group used the lowest and most conservative values. Based on these valuation reports an unrealised fair value gain of BD402,808 (2020: unrealised fair value loss of BD1,514,749) has been recognised for the year ended 31 December 2021 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 2021**  
(Expressed in Bahrain Dinars)

**10 Right-of-use assets**

	<u>Theatres</u>	<u>Restaurants</u>	<u>Leisure and amusement</u>	<u>Office building</u>	<u>Others</u>	<u>Total</u>
<b>Cost</b>						
31 December 2019	4,537,574	631,419	-	289,557	20,456	5,479,006
Lease termination during the year	(28,774)	-	-	-	-	(28,774)
Additions	-	10,884	-	-	-	10,884
Lease modification	-	(14,545)	-	-	-	(14,545)
31 December 2020	4,508,800	627,758	-	289,557	20,456	5,446,571
Additions	-	-	792,385	-	-	792,385
31 December 2021	4,508,800	627,758	792,385	289,557	20,456	6,238,956
<b>Amortisation and impairment</b>						
Balance as at 31 December 2019	(905,334)	(126,804)	-	(104,229)	(9,819)	(1,146,186)
Impairment *	(354,990)	-	-	-	-	(354,990)
Charge for the year	(876,609)	(99,547)	-	(87,467)	(9,819)	(1,073,442)
Balance as at 31 December 2020	(2,136,933)	(226,351)	-	(191,696)	(19,638)	(2,574,618)
Charge for the year	(390,826)	(111,520)	(13,206)	(65,376)	(818)	(581,746)
Balance as at 31 December 2021	(2,527,759)	(337,871)	(13,206)	(257,072)	(20,456)	(3,156,364)
<b>Carrying value</b>						
31 December 2021	1,981,041	289,887	779,179	32,485	-	3,082,592
31 December 2020	2,371,867	401,407	-	97,861	818	2,871,953

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 2021</u>	<u>Year ended 31 December 2020</u>
Operating costs	517,966	985,975
General and administrative expenses (Note 25)	63,780	87,467
	<u>581,746</u>	<u>1,073,442</u>

\* Impairment relates to Rendezvous Restaurant Seef Mall and Seef Megaplex Cinema.

# **11 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 2021
Operating income	7,999
Other income	33
Operating costs	(43,619)
General and administrative expenses	(55,770)
Loss on closure of business*	(77,982)
	<u>(169,339)</u>

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

# **12 Investment in an associate**

	31 December 2021	31 December 2020
Opening balance	9,692,624	22,805,870
Share of loss for the year (Note 26)	(15,490)	(5,821)
Distributions during the year	-	(1,920,294)
Impairment loss	-	(10,905,664)
Dividend received	-	(281,467)
Closing balance	<u>9,677,134</u>	<u>9,692,624</u>

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

In the opinion of the management, the carrying value of the goodwill amounting to BD8,906,660 included in the carrying value of the associate is not impaired as at 31 December 2021.

## 12 Investment in an associate (continued)

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 2021 (Audited)	31 December 2020 (Audited)
Non-current assets	2,631,878	3,424,830
Current assets	812,361	471,073
Non-current liabilities	(691,484)	(814,740)
Current liabilities	(1,301,808)	(1,599,235)
Net assets	<u>1,450,947</u>	<u>1,481,928</u>
Group's share of net assets of the associates	<u>725,474</u>	<u>740,964</u>
Operating revenue	<u>2,024,032</u>	<u>1,721,557</u>
Net loss for the year	<u>(30,981)</u>	<u>(11,643)</u>
Group's share of net loss of the associate	<u>(15,490)</u>	<u>(5,821)</u>

## 13 Inventories

	31 December 2021	31 December 2020
Food and beverages and spares equipment	263,258	251,802
Provision for obsolete and slow-moving inventories	(109,290)	(125,220)
	<u>153,968</u>	<u>126,582</u>

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

	31 December 2021	31 December 2020
Opening balance	125,220	1,577
Provision made during the year	-	123,643
Written-off during the year	(15,930)	-
Closing balance	<u>109,290</u>	<u>125,220</u>

**14 Trade and other receivables**

	31 December 2021	31 December 2020
Trade receivables	271,097	75,534
Provision for impaired trade receivables	<u>(17,898)</u>	<u>(17,898)</u>
	253,199	57,636
Interest free loans to employees	1,135	4,873
Deposits/rental advance	398,704	197,634
Advances to suppliers	39,328	228,328
Amounts due from related parties (Note 32)	40,077	18,459
Prepayments	67,596	116,270
Receivable on disposal of business operations*	3,152,353	3,152,353
Other receivables	<u>205,387</u>	<u>254,555</u>
	<u>4,157,779</u>	<u>4,030,108</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. Part of the net consideration amounting to BD3,152,351 that is receivable beyond 12 months from the date of consolidated financial statements is presented as non-current portion in the consolidated statement of financial position. In the opinion of the Group's management, the fair values of these receivable balances are not expected to be significantly different from the carrying value as at 31 December 2021 as impact of discounting is not considered to be material.

	31 December 2021	31 December 2020
Non-current portion	3,152,351	6,304,703
Current portion	<u>3,152,353</u>	<u>3,152,353</u>
	<u>6,304,704</u>	<u>9,457,056</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.



#### 14 Trade and other receivables (continued)

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 <u>2021</u>	31 December <u>2020</u>
Opening balance	17,898	438,380
Write off	<u>-</u>	<u>(420,482)</u>
Closing balance	<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 2021	31 December 2020
Quoted equity investments	9,464,127	8,656,031
Unquoted investments and managed funds	488,158	681,945
Bonds and sukus	<u>10,204,842</u>	<u>10,589,855</u>
	<u>20,157,127</u>	<u>19,927,831</u>
<b>Movement during the year</b>		
Opening balance	19,927,831	19,697,248
Disposals	(385,766)	(34,709)
Unrealised fair value gain on financial assets at fair value through profit or loss, net (Note 26)	<u>615,062</u>	<u>265,292</u>
Closing balance	<u>20,157,127</u>	<u>19,927,831</u>
	31 December 2021	31 December 2020
Non-current assets	9,952,285	9,337,976
Current assets	<u>10,204,842</u>	<u>10,589,855</u>
	<u>20,157,127</u>	<u>19,927,831</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 sukus 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 2021.

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

Currency	31 December 2021	31 December 2020
Bahrain Dinar	8,923,480	8,095,335
Kuwait Dinar	345,808	268,486
United States Dollar	10,886,704	11,563,170
Oman Riyal	<u>1,135</u>	<u>840</u>
	<u>20,157,127</u>	<u>19,927,831</u>

Bonds and Sukus amounting to BD10,204,842 (2020: BD10,589,855) are held as collateral against the murabaha facility (Note 19).

**16 Cash and bank balances**

	31 December 2021	31 December 2020
Current account balances with banks	3,893,867	3,632,860
Cash on hand	<u>72,869</u>	<u>69,369</u>
	<u>3,966,736</u>	<u>3,702,229</u>

Current account balances with banks are profit bearing.

**17 Share capital**

	31 December 2021	31 December 2020
<b>Authorised</b>		
100,000,000 ordinary shares of 100 fils each (2020: 100,000,000 ordinary shares of 100 fils each)	<u>10,000,000</u>	<u>10,000,000</u>
<b>Issued, subscribed and fully paid-up:</b>		
82,623,450 ordinary shares of 100 fils each (2020: 82,623,450 ordinary shares of 100 fils each)	<u>8,262,345</u>	<u>8,262,345</u>
<b>Treasury shares</b>		
3,709,737 ordinary shares of 100 fils each (2020: 3,709,737 ordinary shares of 100 fils each)	<u>370,975</u>	<u>370,975</u>

**Treasury shares**

During the year 2020, 25,490 treasury shares were acquired having nominal value of BD2,549 at rates ranging from BD0.730 to BD0.745 amounting to BD18,835 according to Article 8 of 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 deduction from reserves. Whereas, the difference, between the nominal value of the acquired shares, and the purchase price, amounting to BD16,286 has been adjusted against share premium. The Company holds 3,709,737 (2020: 3,709,737) (4.49% of the total issued and paid-up share capital) as treasury shares as at 31 December 2021 (2020: 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 2021</u>	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of share-holding interest</u>
Bahrain Family Leisure Company B.S.C.	Bahraini	4,185,137	5.07%
Dr. Esam Abdulla Fakhro	Bahraini	4,789,244	5.80%
General public and corporations	Various	<u>73,649,069</u>	<u>89.13%</u>
		<u>82,623,450</u>	<u>100%</u>
<u>31 December 2020</u>	<u>Nationality</u>	<u>Number of shares</u>	<u>Percentage of share-holding Interest</u>
Bahrain Family Leisure Company B.S.C.	Bahraini	5,717,565	6.92%
Dr. Esam Abdulla Fakhro	Bahraini	4,789,244	5.80%
General public and corporations	Various	<u>72,116,641</u>	<u>87.28%</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 2021</u>	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares</u>
Less than 1%	546	31,923,554	38.64%
Between 1% and 5%	27	41,725,515	50.50%
Between 5% and 10%	2	8,974,381	10.86%
	<u>575</u>	<u>82,623,450</u>	<u>100%</u>

<u>31 December 2020</u>	<u>Number of Shareholders</u>	<u>Number of shares</u>	<u>Percentage of total outstanding shares</u>
Less than 1%	501	33,135,268	40.10%
Between 1% and 5%	27	38,981,373	47.18%
Between 5% and 10%	2	10,506,809	12.72%
	<u>530</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>2021 Number of shares</u>	<u>2020 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	2,000,000	2,000,000
Shawqi Ali Fakhro	712,555	712,555
Ahmed A.Rahman Rashed AlBastaki	<u>1,865,861</u>	<u>1,865,861</u>
	<u>10,684,193</u>	<u>10,684,193</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 7). This reserve is not available for distribution. During the year, there was no change in revaluation reserve (2020: BDNil).

### (iii) Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the issued share capital is set aside. The reserve is not available for distribution except for dividend payment as permitted by Bahrain Commercial Companies Law. As this requirement has been met, no such transfer has been made to the statutory reserve for the year ended 31 December 2021 (2020: BDNil).

### (iv) Charity reserve

This represents the reserve set aside for charity. During the year, no transferred made to this reserve (2020: BDNil). However during the year a payment of BD5,000 was made out of this reserve (2020: BDNil).

### (v) Retained earnings

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

## 19 Murabaha facility

	<u>Last installment</u>	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Murabaha facility	30 April 2023	(a)	767,460	1,291,180
Commodity murabaha	7 April 2022	(b)	<u>4,978,367</u>	<u>4,978,367</u>
			5,745,827	6,269,547
Current portion of Murabaha facility			<u>(5,546,182)</u>	<u>(5,502,087)</u>
Non-current portion of Murabaha facility			<u>199,645</u>	<u>767,460</u>

**19 Murabaha facility (continued)**

- (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.
- (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 Employees' terminal and other benefits**

		31 December 2021	31 December 2020
Employees' terminal benefits	(a)	314,533	330,158
Employees' other benefits	(b)	<u>1,122,731</u>	<u>1,680,635</u>
		<u>1,437,264</u>	<u>2,010,793</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 2021 amounted to BD103,689 (2020: BD120,474).

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

	31 December 2021	31 December 2020
Opening balance	330,158	448,494
Accruals for the year	16,980	34,306
Payments during the year	<u>(32,605)</u>	<u>(152,642)</u>
Closing balance	<u>314,533</u>	<u>330,158</u>
Number of staff employed by the Group	<u>228</u>	<u>245</u>

**b) Other benefits**

During the year 2017, Group had provided an amount of BD3,913,056 (10% of gain on sale of City Centre operations) as ex-gratia for their existing employees, of which BD2,790,325 were paid to them as at 31 December 2021 (2020: BD2,232,421).

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**21 Lease liabilities**

	31 December 2021	31 December 2020
Opening balance	3,647,608	4,281,899
Lease payments	(370,530)	(144,180)
Rent concessions (Note 24)	(380,659)	(319,805)
Lease liability no longer payable written-off (Note 24)	-	(277,543)
Lease modification	-	(14,546)
Additions	792,385	10,884
Termination	-	(29,987)
Finance charges (Note 27)	92,174	140,886
Closing balance	3,780,978	3,647,608
Less: current portion of lease liabilities	(1,338,018)	(1,287,206)
Non-current portion of lease liabilities	2,442,960	2,360,402
Maturity analysis - contractual undiscounted cash flows		
	31 December 2021	31 December 2020
Less than one year	1,323,591	1,177,120
One to five years	2,302,735	2,319,710
More than five years	405,463	494,101
Total undiscounted lease liabilities	4,031,789	3,990,931

**22 Trade and other payables**

	31 December 2021	31 December 2020
Trade payables	361,297	110,895
Accruals	813,829	378,074
Unclaimed dividends	-	64,035
Amounts due to related parties (Note 32)	59,255	18,364
Employees benefit provisions	76,862	42,040
Advance from customers	204,121	271,737
Other payables	114,489	79,438
	1,629,853	964,583

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.

**23 Bank overdrafts**

	31 December 2021	31 December 2020
Bank overdrafts	-	<u>2,993,985</u>
Bank overdraft facilities limit	<u>4,640,000</u>	<u>5,250,000</u>

The Group has bank overdraft facilities amounting to BD4,640,000 as at 31 December 2021 (2020: BD5,250,000) which have been secured to finance the working capital requirements of the Group. Bank overdrafts are unsecured, bear interest at rates ranging between 3.52% to 4.02% per annum (2020: between 4.57% to 5% per annum) and are repayable on demand.

**24 Other income**

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income on long-term receivables	390,104	531,957
Rent concession (Note 21)	380,659	319,805
Lease liability no longer payable written-off (Note 21)	-	277,543
Government grant for the business continuity support (Note 6b)	125,850	156,000
Management fee	16,740	20,460
Miscellaneous income	<u>63,279</u>	<u>11,506</u>
	<u>976,632</u>	<u>1,317,271</u>

**25 General and administrative expenses**

	Year ended 31 December 2021	Year ended 31 December 2020
Staff costs*	632,871	390,373
Social insurance	103,689	147,567
Amortisation on right-of-use assets (Note 10)	63,780	87,467
Pre-operating projects cost	12,626	158,827
Government fees	31,603	41,996
Professional fee	11,201	13,535
Maintenance expenses	11,209	21,781
Donations	11,996	55,324
Insurance expenses	8,897	7,517
Printing and stationary	2,681	16,601
Impairment on right-of-use assets	-	354,990
Impairment loss on property, plant and equipment	-	1,060,971
Inventory written-off	-	33,079
Provision for obsolete inventories	-	123,643
Trade and other receivables written-off	-	122,165
Loss on disposal of investment property	-	99,670
Directors' remuneration and sitting fee	-	40,000
Other expenses	<u>73,189</u>	<u>71,886</u>
	<u>963,742</u>	<u>2,847,392</u>

\*Government grant received in respect of Bahraini staff amounting to BD98,662 (2020: BD304,718) has been netted-off in the staff cost.



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**26 Income/(loss) from investments, net**

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income from bonds and sukuk	528,145	368,944
Unrealised gain on financial assets at fair value through profit or loss, net (Note 15)	615,062	265,292
Dividend income	388,000	387,929
Unrealised fair value gain/(loss) on investment properties (Note 9)	402,808	(1,514,749)
Gain on sale of right shares	11,122	-
Realised gain on sale of financial assets at fair value through profit and loss	-	40,690
Net share of loss from investment in associate (Note 12)	(15,490)	(5,821)
Net share of loss from investment in joint ventures	-	(9,407)
Interest income on bank current accounts balances	80,817	19,315
	<u>2,010,464</u>	<u>(447,807)</u>

**27 Finance costs**

	Year ended 31 December 2021	Year ended 31 December 2020
Interest on long term loan	25,631	37,946
Interest on lease liability (Note 21)	92,174	140,886
Interest on bank overdraft and bank charges	126,620	91,642
	<u>244,425</u>	<u>270,474</u>

**28 Earnings/(loss) per share**

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

	31 December 2021	31 December 2020
Net profit/(loss) attributable to the shareholders	<u>1,043,190</u>	<u>(14,130,222)</u>
Weighted average number of ordinary shares issued	<u>78,913,713</u>	<u>78,913,713</u>
Basic earnings/(loss) per share	<u>13 fils</u>	<u>(179) fils</u>

The earning/(loss) per share has been computed on the basis of net profit/(loss) for the year divided by the weighted average number of shares outstanding for the year being 78,913,713 net of 3,709,737 weighted average treasury shares. There are no potentially dilutive ordinary shares at 31 December 2021 (2020: Nil), hence the diluted and basic earnings/(loss) per share are the same.

**29 Dividends and directors' remuneration**

***Dividends***

**Declared and paid**

No dividend has been recommended, approved and paid for the year 2020 (2019: 25 fils per share).

**Proposed by the Board of Directors**

The Board of Directors of the Group have proposed dividend for the year ended 31 December 2021 amounting to BD1,183,706 (2020: BDNil). 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**

No amount has been accrued and expensed as directors' remuneration in year ended 31 December 2021 (2020: BDNil). Directors' remuneration is expensed in the consolidated statement of profit or loss and other comprehensive income to the year which it pertains.

**Proposed by the Board of Directors**

The Company has proposed directors' remuneration to be paid to the Board of Directors of the Company for the year ended 31 December 2021 amounting to BD112,000 (2020: BDNil). This is subject to the approval of shareholders in the Annual General Meeting.

### 30 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
- Others, includes corporate office assets and vehicles

#### For the year ended 31 December 2021

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

#### For the year ended 31 December 2020

	Theatre operations	Restaurants and concession Counters	Rental and others	Total
<b>Revenues</b>				
Total external sales	624,099	509,448	1,108,769	2,242,316
Less: total variable cost	(307,518)	(206,104)	-	(513,622)
<b>Segment results</b>	<u>316,581</u>	<u>303,344</u>	<u>1,108,769</u>	<u>1,728,694</u>
Less: fixed cost				(2,704,850)
<b>Operating gross loss</b>				(976,156)
Other income				1,317,271
Loss from investments, net				(447,807)
General and administrative expenses				(2,847,392)
Impairment in investment in associate				(10,905,664)
Finance cost				(270,474)
<b>Net loss for the year</b>				<u>(14,130,222)</u>

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

### 31 Contingencies and capital commitments

As at 31 December 2021, the Group do not have any contingent liabilities arising in the ordinary course of business (2020: BDNil).

Capital expenditure contracted for various projects at the consolidated statement of financial position date but not recognised in these consolidated financial statements amounted to BD105,379 (2020: BD463,712).

### 32 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 2021	Year ended 31 December 2020
<u>Saar Cinema Complex</u>		
Other expenses	-	9,340
<u>Qatar Bahrain International Cinema W.L.L.</u>		
Staff salaries-Reimburse	29,889	28,483
Other expenses-Reimburse	41,614	16,695
Management fees	37,200	20,460
<u>Vox Cineco Cinema Company W.L.L.</u>		
Direct expenses	-	1,074
Other expenses	284	3,703
<u>Directors' salaries, remuneration and sitting fee</u>		
Directors' salaries	84,000	63,000
Directors' sitting fee	-	40,000
<u>Entities under common directorship</u>		
Direct expenses	10,479	6,656
Other expenses	123,340	114,610
Rent expenses for corporate office	68,316	97,523
<u>Key management personnel remuneration*</u>		
Salaries and other short-term benefits	297,713	267,303
Salaries and other long-term benefits	16,304	26,588

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

**32 Transactions and balances with related parties (continued)**

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 22)	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Qatar Bahrain International Cinema W.L.L.	Joint venture	39,314	17,368	-	-
Vox Cineco Cinema Company W.L.L.	Associate Company	-	-	6,246	6,530
Various entities*	Common directorship	<u>763</u>	<u>1,091</u>	<u>53,009</u>	<u>11,834</u>
		<u>40,077</u>	<u>18,459</u>	<u>59,255</u>	<u>18,364</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.

The Company has proposed directors' remuneration to be paid to the Board of Directors of the Company for the year ended 31 December 2021 amounting to BD112,000 (2020: BDNil). This is subject to the approval of shareholders in the Annual General Meeting.

**33 Financial assets and liabilities and risk management**

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

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

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

### 33 Financial assets and liabilities and risk management (continued)

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

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

A summary of the financial instruments held by category is provided below as at 31 December 2020:

<b><u>Financial assets</u></b>	<b><u>Fair value through profit or loss</u></b>	<b><u>Amortised cost</u></b>
Trade and other receivables, excluding prepayments	-	3,913,838
Financial assets at fair value through profit or loss	19,927,831	-
Cash and bank balances	-	3,702,229
<b>Total financial assets</b>	<b>19,927,831</b>	<b>7,616,067</b>
		<b><u>Financial liabilities at amortised cost</u></b>
<b><u>Financial liabilities</u></b>		
Trade and other payables, net of employee costs		922,543
Bank overdrafts		2,993,985
Murabaha facilities		6,269,547
<b>Total financial liabilities</b>		<b>10,186,075</b>

### 33 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%	+/- 1,007,856
Financial assets at fair value through profit or loss	+/-10%	+/- 2,015,713

### 33 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 (Note 33). 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 2021.



**33 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 2021</u>	<u>Fair value at 31 December 2020</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	22,314,085	21,910,000	L2	Independent valuation reports	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	9,464,127	8,656,031	L1	Quoted prices from stock exchanges	Not applicable	Not applicable
Unquoted equity investments/managed funds	488,158	681,945	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	10,204,842	10,589,855	L1	Indicative prices from Bloomberg provided by Group's brokers	Not applicable	Not applicable

### 33 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 2020	681,945
Unrealised fair value loss	(26,441)
Disposals during the year	<u>(167,346)</u>
At 31 December 2021	<u>488,158</u>
	<u>Unquoted equity investments/managed funds</u>
At 31 December 2019	687,837
Unrealised fair value gain	4,185
Disposals during the year	<u>(10,077)</u>
At 31 December 2020	<u>681,945</u>

There are no transfers between levels during the year 2020 and 2021.

#### 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 2021 and 2020.

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 trade and other payables less cash and cash equivalents. Capital includes shareholders' capital and reserves attributable to the shareholders of the Group.

Since the Group's cash and cash equivalents (financial assets at fair value through profit or loss) exceed its debt as at 31 December 2021, gearing ratio is not required to be calculated and disclosed.

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**(Expressed in Bahrain Dinars)**

**34 Notes supporting statement of cash flows**

IAS 7 “Statement of Cash Flows” that requires additional disclosures about changes in an entity’s financing liabilities arising from both cash flow and non-cash flow items.

	1 January 2021 BD	Obtained during the year BD	Finance costs accrued BD	Principal repaid during the year BD	Finance costs paid BD	Transferred to current liabilities BD	Non-current portion 31 December 2021 BD
Bank overdrafts	2,993,985	2,645,723	126,620	(5,639,708)	(126,620)	-	-
Murabaha facility	6,269,547	-	25,631	(523,720)	(25,631)	(5,546,182)	199,645
Total	<u>9,263,532</u>	<u>2,645,723</u>	<u>152,251</u>	<u>(6,163,428)</u>	<u>(152,251)</u>	<u>(5,546,182)</u>	<u>199,645</u>
	1 January 2020 BD	Obtained during the year BD	Finance costs accrued BD	Principal repaid during the year BD	Finance costs paid BD	Transferred to current liabilities BD	Non-current portion 31 December 2020 BD
Bank overdrafts	897,965	14,382,174	91,642	(12,286,154)	(91,642)	(2,993,985)	-
Murabaha facility	6,752,216	-	37,946	(482,669)	(37,946)	(5,502,087)	767,460
Total	<u>7,650,181</u>	<u>14,382,174</u>	<u>129,588</u>	<u>(12,760,829)</u>	<u>(129,588)</u>	<u>(8,496,072)</u>	<u>767,460</u>

**35 Events after reporting date**

There were no significant events subsequent to 31 December 2021 and occurring before the date of the report that are expected to have a significant impact on these consolidated financial statements.