

# Progress During Challenging Times

Annual Report 2021



شركة الفنادق الوطنية (ش.م.ب.)  
NATIONAL HOTELS COMPANY (BSC)

DIPLOMAT RESIDENCE

# How to navigate this document

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## Video 'Play' button



**His Majesty  
King Hamad bin Isa Al Khalifa**

The King of the Kingdom of Bahrain



**His Royal Highness  
Prince Salman bin Hamad Al Khalifa**

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



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“Creating meaningful and memorable experiences at The Diplomat Radisson Blu Hotel, Residence & Spa, Manama.”





Bo.Sabi, Asian Restaurant serves an incredible mix of Indonesian, Korean, Malaysian, Thai & Japanese cuisines.

## Board of Directors

*Click title for bios.*



**Faisal A Al Zayani**  
Chairman



**Adel N Hamadeh**  
Vice Chairman & Managing Director



**Mishari Z Al Khalid**  
Director, Chairman, Audit & Corporate Governance Committee



**Abdulaziz A Alisa**  
Director, Chairman, Executive, Nomination & Remuneration Committee



**Abdulrahman A Marshad**  
Director



**Faisal Y Almeshari**  
Director



**Elham A Ahmed**  
Director



**Shehab A Haji**  
Director

## Chief Executive Officer

*Click title for bio.*



**Zaher M Al-Ajjawi**  
Chief Executive Officer

# Board of Directors Report

**We have utilised the slowdown in commercial activity during the pandemic by taking a closer look at our internal activities and services, exploring areas for further improvement.**

**Dear Shareholders,**

On behalf of the Board of Directors, it is a great honour and privilege to present to you the Annual Report of your Company, for the year ended 31st December 2021.

**2021 Overview**

As we bid farewell to 2021, we close the page on yet another challenging year. Like its predecessor, the year 2021 was fraught with uncertainties and business disruption, as the whole world focused its effort to curtail the spread of the corona virus. As a result, the hotel & tourism sector had to continue redefining its processes, adapting to this new and fast-evolving global environment. New ways of work had to be identified to ensure the safety of the employees and guests alike, whilst ensuring business sustainability. Adhering to the recommended guidelines and restrictions placed to minimize physical contact and reduce the virus transmission meant that the hotel & tourism sector was unable to experience a normal level of business or occupancy during the year. Much of the business dealings and meetings were conducted on virtual platforms as companies curtailed their spending and reduced their employees' business travels, whilst several conventions and conferences were cancelled or postponed. The latter part of the year showed signs of improvement and ease in restrictions, which had a positive impact on operations.

**Key Achievements**

We have utilised the slowdown in commercial activity during the pandemic by taking a closer look at our internal activities and services, exploring areas for further improvement.

- Furthermore, we have embarked on refurbishing some of our hotel outlets, in an attempt to enhance our guest experience and improve returns.
- We have successfully refurbished our Italian restaurant "Mondo", thus creating a casual Italian dining experience within a cosy setting, visible and easily accessible from the hotel's lobby. We have also revisited and enhanced

the outlet's brand, and have hired an Italian chef who has helped us develop a new restaurant menu to cater to our target guests' experience.

- Our Asian restaurant was also successfully refurbished and rebranded as "Bo.Sabi", creating a vibrant environment to cater to the different age groups, with a large outdoor terrace overlooking the hotel's oasis; lush gardens and pool.
- The hotel gym was renovated during the lockdown period, creating an open and well-lit training area with appropriately-distanced state-of-the-art equipment and amenities.

**Financial Performance**

Financially, we believe we have weathered the COVID-19 storm reasonably well. Through continued cost-control measures, coupled with implementing a dynamic work environment and pricing strategy, we managed to achieve a Gross Operating Profit of BD 1,535K (2020: BD 1,133K). Operating Revenues increased by 39%, reaching BD 4,968K (2020: BD 3,911K). Occupancy averaged 37% for the year (2020: 29%) whilst ARR averaged BD 54 (2020: BD 56).

Nevertheless, we remain cash positive and debt-free (apart from the usual ongoing operational expenses), and enter the financial year 2022 with a robust financial position; strong balance sheet, cash generative business model and access to liquidity.

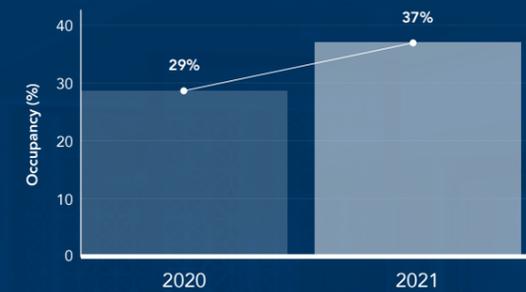
**Corporate Governance**

We are also pleased to inform you that the Company has been recognized with the "Best Hospitality Corporate Governance – Bahrain 2021" award by Capital Finance International.

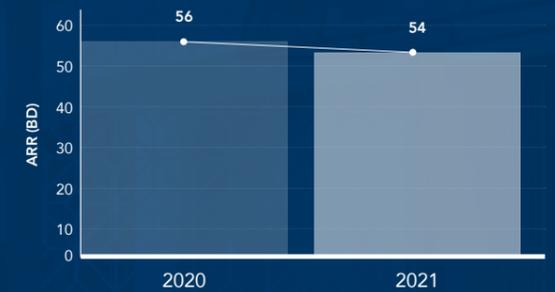
The company continues to closely follow the Corporate Governance Code issued by the Ministry of Industry, Commerce & Tourism, as well as the requirements within the CBB Rule Book and other corporate best practices in conducting its day-to-day operations. As customary, the Annual Report for the year shall include the Board's Corporate Governance Report, for your reference.

# Financial Performance

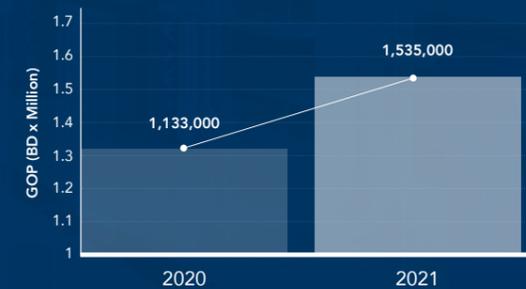
Occupancy Average (%)



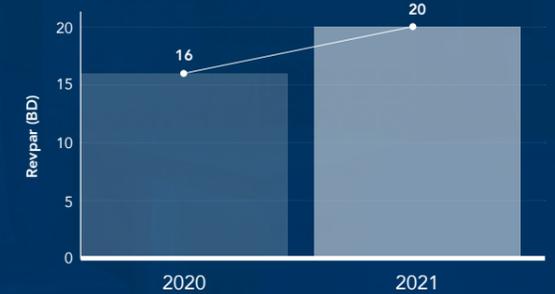
ARR (BD)



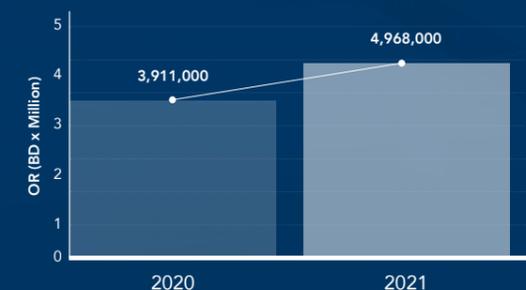
Gross Operating Profit (BD)



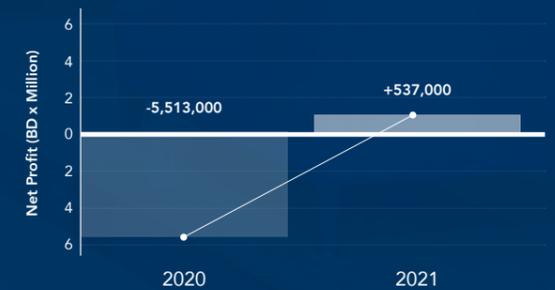
Revpar (BD)



Operating Revenues (BD)



Net Profit



Nevertheless, we remain cash positive and debt-free (apart from the usual ongoing operational expenses), and enter the financial year 2022 with a robust financial position; strong balance sheet, cash generative business model and access to liquidity.



“The Al Fanar Banquet Hall is one of few sky view banquet halls in the Kingdom of Bahrain.”

## Board of Director's Report (continued)

For the year ended 31 December 2021

Bahraini Dinars

### Corporate Governance (continued)

#### Board of directors' remuneration details

The remuneration paid/accrued to the Board Members and Executive management during the year was as follows:

Name	Fixed Remunerations			Variable Remunerations					End - of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance	
	Remunerations of the Chairman and BOD*	Total allowance for attending Board and Committee Meetings	Salaries Others	Remunerations of the Chairman and BOD	Bonus	Incentive Plans	Others	Total				
<b>Independent Directors:</b>												
Faisal A Al Zayani	7,500	4,500	-	-	12,000	-	-	-	-	-	12,000	-
A Rahman A Marshad	6,350	8,250	-	-	14,600	-	-	-	-	-	14,600	1,100
<b>Non-Executive Directors:</b>												
Adel N Hamadeh	7,500**	6,750	-	-	14,250	-	-	-	-	-	14,250	-
A Aziz A Alisa	6,350**	8,250	-	-	14,600	-	-	-	-	-	14,600	1,100
Mishari Z Al Khalid	6,350	8,250	-	-	14,600	-	-	-	-	-	14,600	3,300
Faisal Y Almeshari	6,350	8,250	-	-	14,600	-	-	-	-	-	14,600	-
Elham A Ahmed	6,350**	7,500	-	-	13,850	-	-	-	-	-	13,850	-
Shehab A Haji	6,350**	8,250	-	-	14,600	-	-	-	-	-	14,600	2,200
<b>Total (Bahraini Dinars)</b>	<b>53,100</b>	<b>60,000</b>	<b>-</b>	<b>-</b>	<b>113,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,100</b>	<b>7,700</b>

\*Subject to AGM and regulatory approval

\*\*Remuneration is paid to the entity (shareholder) represented by these board members.

#### Executive management remuneration details

	Total Paid Salaries and Allowances	Total paid remuneration (Bonus)	Any other cash/in kind remuneration for 2021	Aggregate amount
<b>Top 6 remunerations for executives, including CEO and Senior Financial Officer</b>	<b>198,165</b>	<b>-</b>	<b>-</b>	<b>198,165</b>

#### Strategic Outlook

Moving forward, the Company shall continue to focus on further enhancing its services and business offerings, while seeking further growth and revenue-generation opportunities specifically within the Kingdom. The Company aspires to play a pivotal role in serving the Tourism Strategy announced by the Ministry of Industry, Commerce & Tourism during the last quarter of 2021.

## Board of Director's Report (continued)

For the year ended 31 December 2021

Bahraini Dinars

### Recommendations to the Shareholders

The Board of Directors, having discussed the audited Financial Statements for the year 2021, hereby submits the following recommendations for endorsement by the Ordinary General Assembly:

- 1) to approve BD 45,000/- for the support of National Institutions and Charity Accounts, already charged as an expense in the Income Statement.
- 2) to approve BD 53,100/- as Directors' Remuneration, already charged as an expense in the Income Statement.
- 3) to approve a 10% of net profit transfer to the Statutory Reserve equivalent to BD 53,699/-.
- 4) to transfer the balance of the Profit of BD 483,291/- to the Retained Earnings Account.
- 5) to declare and distribute a cash dividend of 10 fils per share, resulting in a total dividend distribution of BD 1,200,922.

### Note of Thanks

Finally, we would like to express personally and on behalf of the Board of Directors and the Shareholders, our thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness the Crown Prince and Prime Minister, Prince Salman bin Hamad Al Khalifa, for their relentless support and assistance to the Company.

We would also like to thank all the officials at the Government Ministries and Organizations, and our esteemed guests and customers for their continuous support. We also express our sincere gratitude to all the members of our Board for their continued insights and invaluable guidance that helped steer the operations during these difficult times. A special tribute is awarded to all the Company's employees, led by the Company's Chief Executive Officer, and the Executive Managers and staff members of the Diplomat Radisson Blu Hotel, Residence & Spa, and the Diplomat Commercial Offices for their sincere efforts in serving the Company, which contributed to achieving the results of 2021.

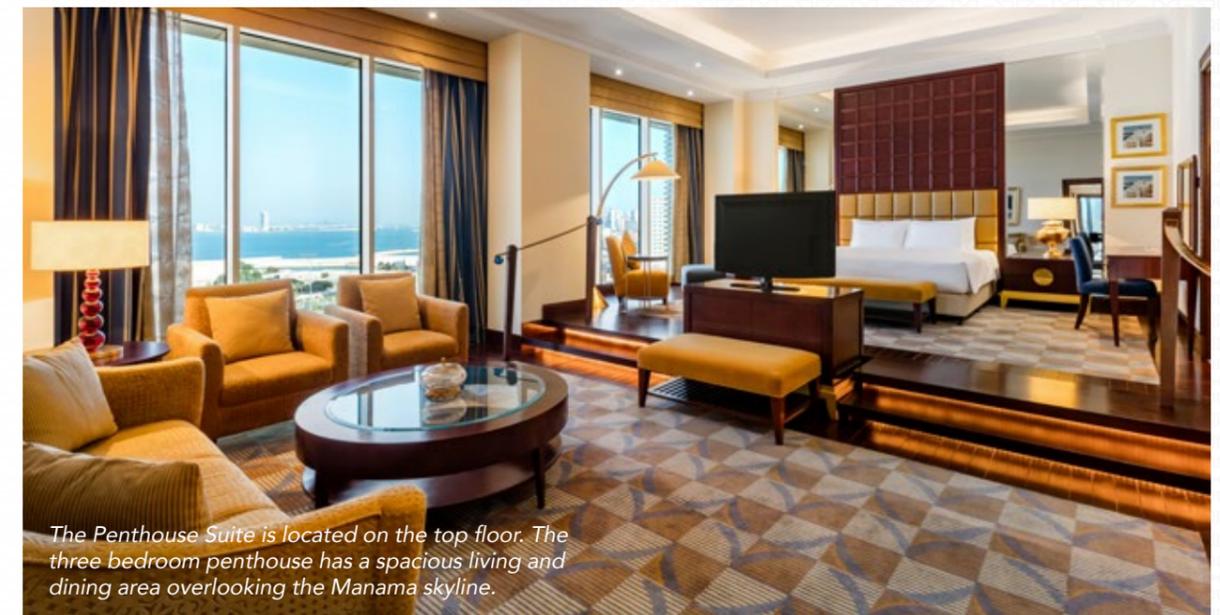
With the Grace of God,



Faisal Ahmed Al Zayani  
Chairman



Adel Nahabah Hamadeh  
Vice Chairman and Managing Director



The Penthouse Suite is located on the top floor. The three bedroom penthouse has a spacious living and dining area overlooking the Manama skyline.



Mondo serves a stylish and authentic Italian dining experience in a cozy modern setting.

# Independent Auditors Report

31 December 2021



شركة الفنادق الوطنية (م.م.م.م.)  
NATIONAL HOTELS COMPANY (BSC)

## Independent auditors report to the shareholders

### National Hotels Company BSC

#### Opinion

We have audited the financial statements of National Hotels Company BSC (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Impairment of property, plant and equipment and investment property

(refer to use of judgement and estimates in note 2(d), accounting policies in notes 3(a) and 3(b) and notes 4 and 5 to the financial statements)

The key audit matter	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>of the significance of property, plant and equipment and investment property (representing 78% of total assets); and</li> <li>Assessment of indicators of impairment and estimation of recoverable amount by the Company involves judgement and estimation uncertainty, especially in the current operating environment arising from COVID-19.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Involvement of our own valuation specialists in:                             <ul style="list-style-type: none"> <li>evaluating the Company's process of identifying possible indicators of impairment of the property, plant and equipment and investment property;</li> <li>evaluating the parameters used by the Company to identify indicators of impairment to ensure that these are reasonable;</li> <li>evaluating the appropriateness of the impairment assessment methodology used by the Company; and</li> <li>challenging the reasonableness of key assumptions and input used in estimating the recoverable amount of the property.</li> </ul> </li> <li>evaluating the adequacy of the Company's disclosures related to impairment of property, plant and equipment and investment property in the financial statements by reference to the requirements of the relevant accounting standards.</li> </ul>

## Independent auditors report to the shareholders (continued)

#### Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, 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 Board of Directors for the financial Statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company'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 the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### Auditors' Responsibilities for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company/Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## Independent auditors report to the shareholders (continued)

### Auditors' Responsibilities for the Audit of the financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors 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 the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Regulatory Requirements

As required by the Commercial Companies Law, we report that:

- 1) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
  - a) the financial information contained in the board of directors' report is consistent with the financial statements;
  - b) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
  - c) satisfactory explanations and information have been provided to us by management in response to all our requests.
- 2) As required by the Ministry of Industry, Commerce and Tourism in their 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 the Company has:
  - a) a corporate governance officer; and
  - b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jaafar Al Qubaiti.



KPMG Fakhro  
Partner Registration Number 83  
24 February 2022

# Financial Statements

31 December 2021



شركة الفنادق الوطنية (ش.م.ع.ق)  
NATIONAL HOTELS COMPANY (B.S.C.)

## Consolidated statement of financial position

as at 31 December 2021

	Notes	31 December 2021	31 December 2020
		BD	BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	28,765,261	30,101,545
Investment property	5	32,541,252	33,185,572
Investment in an associate	6	6,822,279	6,804,606
Investment securities	7	4,609,470	2,658,980
<b>Total non-current assets</b>		<b>72,738,262</b>	<b>72,750,703</b>
<b>Current assets</b>			
Inventories	8	91,987	73,945
Investment securities	7	74,666	2,064,063
Trade receivables and other assets	9	434,372	399,073
Bank deposits	10	3,300,000	2,500,000
Cash and cash equivalents	10	2,340,595	1,435,960
<b>Total current assets</b>		<b>6,241,620</b>	<b>6,473,041</b>
<b>Total assets</b>		<b>78,979,882</b>	<b>79,223,744</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	13	221,461	226,599
<b>Total non-current liabilities</b>		<b>221,461</b>	<b>226,599</b>
<b>Current liabilities</b>			
Trade and other payables	14	1,177,094	1,032,708
<b>Total current liabilities</b>		<b>1,177,094</b>	<b>1,032,708</b>
<b>Total liabilities</b>		<b>1,398,555</b>	<b>1,259,307</b>
<b>EQUITY</b>			
Share capital	11	12,127,500	12,127,500
Treasury shares	11	(94,726)	(94,726)
Statutory reserve	12	5,724,191	5,670,492
General reserve	12	1,087,579	1,087,579
Property revaluation reserve	12	13,043,666	13,043,666
Investments fair value reserve		2,008,947	2,026,403
Share of reserves of associate		188,025	130,059
Retained earnings		43,496,145	43,973,464
<b>Total equity</b>		<b>77,581,327</b>	<b>77,964,437</b>
<b>Total liabilities and equity</b>		<b>78,979,882</b>	<b>79,223,744</b>



Faisal Ahmed Al Zayani  
Chairman



Adel Nahabah Hamadeh  
Vice Chairman and Managing Director

The accompanying notes 1 to 25 form an integral part of these financial statements.

## Statement of profit or loss

for the year ended 31 December 2021

	Notes	31 December 2021	31 December 2020
		BD	BD
Revenue from contracts with customers	15	3,828,303	2,790,644
Rental income	5	1,139,721	1,120,704
<b>Total revenue</b>		<b>4,968,024</b>	<b>3,911,348</b>
Operating costs	16	(3,432,196)	(2,778,107)
<b>GROSS PROFIT</b>		<b>1,535,828</b>	<b>1,133,241</b>
Share of profit of an associate	6	1,359,707	959,995
Dividend income		99,576	113,394
Interest income		210,809	219,973
Change in fair value on investments at fair value through profit or loss	7	10,603	2,548
Other income	17	214,596	95,879
Depreciation	4,5	(2,556,094)	(2,551,754)
General and administration expenses		(332,611)	(430,633)
Loss on write-off of property, plant and equipment	4	-	(128,054)
Loss on write-off of investment property	5	(5,424)	-
Impairment of property, plant and equipment and investment property	4,5	-	(4,927,253)
<b>Profit / (loss) for the year</b>		<b>536,990</b>	<b>(5,512,664)</b>
<b>Basic and diluted earnings per share (in fils)</b>	11	<b>4</b>	<b>(46)</b>



Faisal Ahmed Al Zayani  
Chairman



Adel Nahabah Hamadeh  
Vice Chairman and Managing Director

The accompanying notes 1 to 25 form an integral part of these financial statements.

## Statement of comprehensive income

for the year ended 31 December 2021

	Notes	31 December 2021	31 December 2020
		BD	BD
Profit / (loss) for the year		536,990	(5,512,664)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>			
- Net movement in fair value of Investments at fair value through other comprehensive income during the period	7	(17,456)	(82,271)
- Share in associates' other comprehensive income	6	57,966	(51,241)
- impairment of property, plant and equipment		-	(347,639)
<b>Other comprehensive income for the year</b>		40,510	(481,151)
<b>Total comprehensive income for the year</b>		577,500	(5,993,815)

The accompanying notes 1 to 25 form an integral part of these financial statements.

## Statement of changes in equity

for the year ended 31 December 2021

31 December 2021	Share capital	Treasury shares	Statutory reserve	General reserve	Property revaluation reserve	Investments fair value reserve	Share of reserves of associate	Retained earnings	Total
	BD	BD	BD	BD	BD	BD	BD	BD	BD
At 1 January 2021	12,127,500	(94,726)	5,670,492	1,087,579	13,043,666	2,026,403	130,059	43,973,464	77,964,437
Comprehensive income									
- Profit for the year	-	-	-	-	-	-	-	536,990	536,990
- Other comprehensive income for the year	-	-	-	-	-	(17,456)	57,966	-	40,510
<b>Total comprehensive income for the year</b>	-	-	-	-	-	(17,456)	57,966	536,990	577,500
Transfer to statutory reserve	-	-	53,699	-	-	-	-	(53,699)	-
Dividends declared for 2020	-	-	-	-	-	-	-	(960,610)	(960,610)
<b>Balance at 31 December 2021</b>	12,127,500	(94,726)	5,724,191	1,087,579	13,043,666	2,008,947	188,025	43,496,145	77,581,327

31 December 2021	Share capital	Treasury shares	Statutory reserve	General reserve	Property revaluation reserve	Investments fair value reserve	Share of reserves of associate	Retained earnings	Total
	BD	BD	BD	BD	BD	BD	BD	BD	BD
Balance at 1 January 2020	12,127,500	(94,726)	5,670,492	1,087,579	13,391,305	2,108,674	181,300	50,687,050	85,159,174
Comprehensive income									
- Loss for the year	-	-	-	-	-	-	-	(5,512,664)	(5,512,664)
- Other comprehensive income for the year	-	-	-	-	(347,639)	(82,271)	(51,241)	-	(481,151)
<b>Total comprehensive income for the year</b>	-	-	-	-	(347,639)	(82,271)	(51,241)	(5,512,664)	(5,993,815)
Dividends declared for 2019	-	-	-	-	-	-	-	(1,200,922)	(1,200,922)
<b>Balance at 31 December 2020</b>	12,127,500	(94,726)	5,670,492	1,087,579	13,043,666	2,026,403	130,059	43,973,464	77,964,437

The accompanying notes 1 to 25 form an integral part of these financial statements.

## Statement of cash flows

for the year ended 31 December 2021

	Notes	31 December 2021	31 December 2020
		BD	BD
<b>OPERATING ACTIVITIES</b>			
Profit / (loss) for the year		536,990	(5,512,664)
Adjustments for:			
Depreciation	4,5	2,556,094	2,551,754
Loss on write-off of assets		5,424	128,054
Impairment of property, plant and equipment		-	471,822
Impairment of investment property		-	4,455,431
Share of profit of an associate	6	(1,359,707)	(959,995)
Change in fair value on investments at FVTPL	7	(10,603)	(2,548)
Dividend income		(99,576)	(113,394)
Interest income		(210,809)	(219,973)
Reversal of impairment on financial assets	9	(8,399)	(36,783)
Provision for employees' benefits	13	43,141	51,998
<i>Operating profit before working capital changes</i>		1,452,555	813,702
Change in inventories		(18,042)	32,853
Change in trade and other receivables		(23,848)	66,031
Change in trade and other payables		232,808	(839,169)
Net cash from operations		1,643,473	73,417
Employees' end of service benefits paid	13	(48,279)	(128,528)
Directors' remuneration paid	18	(40,000)	(156,125)
Charitable contributions paid		(45,000)	(55,000)
<b>Net cash from / (used in) operating activities</b>		1,510,194	(266,236)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(459,425)	(429,200)
Purchase of investment property	5	(121,489)	-
Purchase of investments at Amortised cost	7	(1,967,946)	-
Disposal of investments at FVTPL	7	2,000,000	-
Dividends received from an associate	6	1,400,000	2,100,000
Other dividends received		99,576	113,394
Interest received		207,757	182,499
Bank deposits		(800,000)	(1,000,000)
<b>Net cash from investing activities</b>		358,473	966,693
<b>FINANCING ACTIVITIES</b>			
Dividends paid	19	(960,610)	(1,200,922)
<b>Net cash used in financing activities</b>		(960,610)	(1,200,922)
<b>Net increase / (decrease) in cash and cash equivalents</b>		908,057	(500,465)
Cash and cash equivalents at 1 January		1,432,538	1,933,003
<b>Cash and cash equivalents at 31 December</b>	10	2,340,595	1,432,538

The accompanying notes 1 to 25 form an integral part of these financial statements.

## Notes of the financial statements

for the year ended 31 December 2021

Bahraini Dinars

### 1. REPORTING ENTITY

National Hotels Company B.S.C. (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 1665. The address of the registered office of the Company is P.O. Box 5243, Building 59, Road 1701, Block 317, Diplomatic Area, Kingdom of Bahrain. The Company owns the Diplomat Radisson BLU Hotel (the "Hotel"), which is managed by Rezidor Hotel Company ("Rezidor") under a management agreement dated 20 July 2000 which was initially valid for 15 years. In 2007, the Company commenced the operations of its serviced apartments, which are also managed by Rezidor under a management agreement dated 6 May 2003 which was initially valid for 12 years. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly. In 2015, the management agreement of the Hotel and serviced apartments was amended to extend the management period up to 31 December 2030. The Company operates solely in the Kingdom of Bahrain. The financial statements were approved by the Director on 24 February 2022.

#### Associate

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2020: 33.33%).

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the Commercial Companies Law.

#### b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the freehold land, investments at fair value through profit or loss and investments at fair value through other comprehensive income that have been measured at fair value.

#### c) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Bahraini Dinars ("BD"), which is the Company's functional and presentation currency.

#### d) Use of judgments and estimates

The preparation of these financial statements in conformity with IFRS requires management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or in the period of the revision and any future period, if the revision affects both current and future periods.

#### Impairment of trade and other receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss ("ECL"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 2. BASIS OF PREPARATION (continued)

#### d) Use of judgments and estimates (continued)

##### *Fair value measurement of financial instruments*

When the fair values of financial instrument recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discount model and adjusted net book asset value method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, expected dividends and discount factor. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

##### *Impairment of inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

##### *Revaluation of freehold land*

The Company measures its freehold land at revalued amounts with changes in fair values being recognised in equity. Revaluation of freehold land is normally carried out at least once in every three years. The assessment of the fair value of the freehold land requires assumptions such as level of development in the area, current market trends, supply and demand of the property, as well as location, population and type of neighborhood in the area.

##### *Useful lives of property, plant and equipment*

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

##### *Impairment of property, plant and equipment and investment property*

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

#### e) New standards, amendments and interpretation effective from 1 January 2021

There were no new standards, amendments to standards and interpretations, which became effective as of 1 January 2021, that were relevant and material to the Company.

#### f) New standards, amendments and interpretations issued but not yet effective

##### (i) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

In the process of making an item of PPE available for its intended use, a company may produce and sell items. Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Company.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 2. BASIS OF PREPARATION (continued)

#### f) New standards, amendments and interpretations issued but not yet effective (continued)

##### (ii) Reference to the Conceptual Framework (Amendments to IFRS 3).

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Company.

##### (iii) Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further, 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current, a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments – e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Company.

##### (iv) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Company.

##### (v) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Company.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

**3. SIGNIFICANT ACCOUNTING POLICIES****a) Property, plant and equipment****(i) Recognition and measurement**

Property, plant and equipment, except freehold land, is recorded at cost less accumulated depreciation and any accumulated impairment in value. Freehold land is carried at revalued amounts. Freehold land is not depreciated.

Revaluation of freehold land is normally carried out at least once every three years. Any net surplus arising on revaluation is credited to a revaluation reserve and any decrease resulting from subsequent revaluations is charged directly against any related revaluation surplus held in respect of that same asset and the remaining portion charged as an expense. On the subsequent sale or retirement of revalued freehold land, the additional revaluation surplus is transferred to retained earnings.

**(ii) Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	40 years
- Improvements to buildings	5 to 15 years
- Plant and machinery	15 to 20 years
- Furniture, fixtures and equipment	7 years
- Motor vehicles	5 years

**(iii) Subsequent costs**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amounts of the assets) is included in the statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**b) Investment properties****(i) Recognition and measurement**

Investment properties, except freehold land, are recorded at cost less accumulated depreciation and any accumulated impairment in value. Freehold land is not depreciated.

**(ii) Depreciation**

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	40 years
- Improvements to buildings	5 to 15 years
- Plant and machinery	15 to 20 years
- Furniture, fixtures and equipment	7 years

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****b) Investment properties (continued)****(iii) Subsequent costs**

The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met, and excludes the day to day servicing of investment properties.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the retirement or disposal of investment properties are recognised in the statement of profit or loss in the year of retirement or disposal.

**c) Investment in an associate**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in other comprehensive income of this investee is presented as part of the Company's other comprehensive income. Where there has been a change recognised directly in equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss for the year and non-controlling interests in the subsidiaries of the associate.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in statement of profit or loss.

**d) Inventories**

Inventories of food and beverage are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing inventories to their present location and condition and are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (i) Financial assets

###### *Initial recognition and measurement*

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

###### *Classification and subsequent measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

For the purposes of the assessment whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e) Financial instruments (continued)

##### (i) Financial assets (continued)

###### *Classification and subsequent measurement (continued)*

Financial assets at FVOCI are carried in the statement of financial position at fair value with net changes in fair value recognised in the changes in other comprehensive income. Such changes in fair value are never recycled to profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

###### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

##### (ii) Financial liabilities

###### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, at amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of those at amortised cost, net of directly attributable transaction costs.

###### *Classification and Subsequent measurement*

The Company classifies its financial liabilities as measured at amortised cost. Subsequent to initial recognition, these are measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

###### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e) Financial instruments (continued)

##### (iii) Impairment of financial assets

The Company recognises loss allowances for expected credit loss on financial assets measured at amortised cost.

The Company measures loss allowances for trade and other receivables based on simplified approach i.e. an amount equal to lifetime ECLs, however for cash and bank balances, measurement of loss allowances is based on 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 to 120 days past due. The Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

##### *Measurement of ECLs*

##### *Trade and other receivables - (Simplified approach)*

The Company uses an allowance matrix to measure the ECLs of trade and other receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Loss rates are based on actual credit loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and Company view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions

##### *Cash and bank balances – (General approach)*

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Company recognises an allowance for expected credit loss (ECL) on all financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e) Financial instruments (continued)

##### (iii) Impairment of financial assets (continued)

##### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### f) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

#### g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and bank deposits with original maturity of 3 months or less, net of restricted cash.

#### h) Fair value measurement

Fair value is the price 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h) Fair value measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### j) Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered in the ordinary course of the Company's activities. The Company recognises revenue when it transfers control over a good or service to a customer, and when specific criteria have been met for each of the Company's activities, as described below:

##### a) Sale of food and beverages

Revenue from sale of food and beverages is recognised when the food and beverage is delivered and have been accepted by the customer. Invoices are generated at that point in time.

##### b) Room revenue

Room revenue from hotel operations represents total amounts charged to customers and guests during the period including service charges plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances. These services are sold either separately or bundled together with the sale of food and beverages to a customer.

##### c) Rental income

Revenue from property leased out under an operating lease are recognised on a straight line basis over the term of the lease.

##### d) Interest income

Interest income is recognised using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or liability.

##### e) Dividend income

Dividend is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Foreign currencies transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency differences are generally recognised in profit or loss.

#### l) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the board of directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the board of directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### m) Employees' end of service benefits

##### Bahraini employees

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation, which is a "defined contribution scheme" in nature under IAS 19 'Employee Benefits', and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

##### Expatriate employees

Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 2012, based on length of service and final remuneration. Provision for this unfunded commitment, which is a "defined benefit scheme" in nature under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

#### n) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, including any attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

#### o) Governmental levy

The Company pays a Government levy calculated at a fixed percent of the Hotels' total revenue (net of foreign exchange gains) and is payable quarterly in arrears to the Government.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

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## 4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Improvements to buildings	Furniture, fixtures and equipment	Plant and machinery	Capital work-in-progress	Total
<b>Cost / valuation:</b>							
At 1 January 2021	13,431,869	29,403,711	6,333,135	3,792,956	2,497,155	131,594	55,590,420
Additions	-	-	54,126	133,252	93,589	178,458	459,425
Transfers (note 5)	-	-	206,042	117	33,314	(239,473)	-
<b>At 31 December 2021</b>	<b>13,431,869</b>	<b>29,403,711</b>	<b>6,593,303</b>	<b>3,926,325</b>	<b>2,624,058</b>	<b>70,579</b>	<b>56,049,845</b>
<b>Accumulated depreciation:</b>							
At 1 January 2021	-	19,685,791	1,878,290	2,104,179	1,820,615	-	25,488,875
Charge for the year	-	758,193	437,753	421,313	178,450	-	1,795,709
<b>At 31 December 2021</b>	<b>-</b>	<b>20,443,984</b>	<b>2,316,043</b>	<b>2,525,492</b>	<b>1,999,065</b>	<b>-</b>	<b>27,284,584</b>
<b>Net carrying amounts:</b>							
<b>At 31 December 2021</b>	<b>13,431,869</b>	<b>8,959,727</b>	<b>4,277,260</b>	<b>1,400,833</b>	<b>624,993</b>	<b>70,579</b>	<b>28,765,261</b>

The Company conducted impairment tests to assess recoverability of its property, plant and equipment using discounted cash flows that reflect the Company's current best estimate, at the reporting date, of the expected impacts of the COVID-19 pandemic and the economic conditions for recovery. The Company prepared a 5-year cash flow forecast. The discount rate used corresponds to the weighted average cost of capital and terminal growth rate as at 31 December 2021 were 8.5% and 2.5% respectively. No impairment losses were recognised during the year (2020: BD 819,461). An increase in the weighted average cost of capital by 0.5% and reduction in the terminal growth would have impacted the valuation by BD 110,653 and BD 626,049 (2020: BD 2,094,521 and BD 2,623,313) respectively.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

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## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Improvements to buildings	Furniture, fixtures and equipment	Plant and machinery	Capital work-in-progress	Total
<b>Cost / valuation:</b>							
At 1 January 2020	13,779,508	29,791,341	7,157,642	4,220,633	8,595,875	17,798	63,562,797
Additions	-	-	66,802	7,324	119,725	113,796	307,647
Reclassification	-	(109,080)	109,080	164,748	(164,748)	-	-
Transfers (note 5)	-	-	(97,080)	(18,330)	(3,516,824)	-	(3,632,234)
Impairment	(347,639)	(278,550)	(125,560)	(58,517)	(9,195)	-	(819,461)
Disposals and write-offs	-	-	(777,749)	(522,902)	(2,527,678)	-	(3,828,329)
<b>At 31 December 2020</b>	<b>13,431,869</b>	<b>29,403,711</b>	<b>6,333,135</b>	<b>3,792,956</b>	<b>2,497,155</b>	<b>131,594</b>	<b>55,590,420</b>
<b>Accumulated depreciation:</b>							
At 1 January 2020	-	18,966,217	2,246,550	2,111,399	6,103,427	-	29,427,593
Reclassification	-	(38,619)	38,619	95,318	(95,318)	-	-
Transfers (note 5)	-	-	(58,179)	(6,521)	(1,960,340)	-	(2,025,040)
Charge for the year	-	758,193	429,049	417,360	181,996	-	1,786,598
Disposals and write-offs	-	-	(777,749)	(513,377)	(2,409,150)	-	(3,700,276)
<b>At 31 December 2020</b>	<b>-</b>	<b>19,685,791</b>	<b>1,878,290</b>	<b>2,104,179</b>	<b>1,820,615</b>	<b>-</b>	<b>25,488,875</b>
<b>Net carrying amounts:</b>							
<b>At 31 December 2020</b>	<b>13,431,869</b>	<b>9,717,920</b>	<b>4,454,845</b>	<b>1,688,777</b>	<b>676,540</b>	<b>131,594</b>	<b>30,101,545</b>

## 5. INVESTMENT PROPERTY

	Freehold land	Building	Improvements to buildings	Furniture, fixtures and equipment	Plant and machinery	Total
<b>Cost:</b>						
At 1 January 2021	15,864,741	21,122,853	94,499	17,118	3,351,930	40,451,141
Additions	-	-	18,475	62,324	40,690	121,489
Disposals and write off	-	-	-	-	(17,155)	(17,155)
<b>At 31 December 2021</b>	<b>15,864,741</b>	<b>21,122,853</b>	<b>112,974</b>	<b>79,442</b>	<b>3,375,465</b>	<b>40,555,475</b>
<b>Accumulated depreciation:</b>						
At 1 January 2021	-	5,058,451	75,276	9,206	2,122,636	7,265,569
Charge for the year	-	583,078	7,421	5,072	164,814	760,385
Disposals and write off	-	-	-	-	(11,731)	(11,731)
<b>At 31 December 2021</b>	<b>-</b>	<b>5,641,529</b>	<b>82,697</b>	<b>14,278</b>	<b>2,275,719</b>	<b>8,014,223</b>
<b>Net carrying amounts:</b>						
<b>At 31 December 2021</b>	<b>15,864,741</b>	<b>15,481,324</b>	<b>30,277</b>	<b>65,164</b>	<b>1,099,746</b>	<b>32,541,252</b>

## Notes of the financial statements (continued)

for the year ended 31 December 2021

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## 5. INVESTMENT PROPERTY (continued)

	Freehold land	Building	Improvements to buildings	Furniture, fixtures and equipment	Plant and machinery	Total
<b>Cost:</b>						
At 1 January 2020	17,994,710	23,279,628	-	-	-	41,274,338
Transfers (note 4)	-	-	97,080	18,330	3,516,824	3,632,234
Impairment	(2,129,969)	(2,156,775)	(2,581)	(1,212)	(164,894)	(4,455,431)
Cost as at 31 December 2020	15,864,741	21,122,853	94,499	17,118	3,351,930	40,451,141
<b>Accumulated depreciation:</b>						
At 1 January 2020	-	4,475,373	-	-	-	4,475,373
Transfers	-	-	58,179	6,521	1,960,340	2,025,040
Charge for the year	-	583,078	17,097	2,685	162,296	765,156
At 31 December 2020	-	5,058,451	75,276	9,206	2,122,636	7,265,569
<b>Net carrying amounts:</b>						
At 31 December 2020	15,864,741	16,064,402	19,223	7,912	1,229,294	33,185,572

The investment property was valued internally by the management and total fair value amounted to BD 32,759,674 as at reporting date (2020: BD 33,163,768). Rental income derived from investment property amounted to BD 1,139,721 (2020: BD 1,120,704). The fair value measurement was based on investment capitalisation approach and accordingly has been categorised as level 3 in the fair value hierarchy. Significant assumptions used are the capitalisation rate of 7% and full occupancy of the property. No impairment loss was recognised during the year (2020: BD 4,455,431). The application of the approach is consistent with the prior period. The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

A sensitivity analysis was conducted to assess the impact of recoverable amount as compared to the carrying value of the asset. The capitalisation rate of income and the assessment of income under the highest and best use of the property were the two variable factors considered in the analysis to have the most significant affect in the overall determination of the recoverable amount. An increase in the capitalisation rate by 0.5% and a reduction in income by 5% would have impacted the valuation by BD 3,712,763 and BD 1,637,984 respectively.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

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## 6. INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2020: 33.33%) interest in African & Eastern (Bahrain) W.L.L., a company incorporated in the Kingdom of Bahrain and is involved in the business of investment in importing and selling of beverages. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in the financial statements. Movements during the year are as follows:

	2021	2020
At 1 January	6,804,606	7,995,852
Share of profit for the year	1,359,707	959,995
Share in associate's other comprehensive income	55,966	(53,241)
Adjustment to the associate's reserve	2,000	2,000
Dividends received during the year	(1,400,000)	(2,100,000)
<b>At 31 December</b>	<b>6,822,279</b>	<b>6,804,606</b>

The following table illustrates the summarised financial information of the Company's investment in African & Eastern (Bahrain) W.L.L.:

	2021	2020
Current assets	7,697,134	5,696,767
Non-current assets	14,580,067	15,667,281
Current liabilities	(1,876,120)	(1,308,852)
Non-current liabilities	(690,224)	(397,358)
<b>Equity</b>	<b>19,710,857</b>	<b>19,657,838</b>
Proportion of the Company's ownership	33.33%	33.33%
Share of the associate's net assets	6,570,286	6,552,613
Goodwill included within investment in the associate	251,993	251,993
<b>Carrying amount of interest in associate</b>	<b>6,822,279</b>	<b>6,804,606</b>

	2021	2020
Profit for the year	4,079,122	2,879,985
Other comprehensive income for the year	167,897	(159,725)
Total comprehensive income for the year	4,247,019	2,720,260
Company's share of profit for the year	1,359,707	959,995
Company's share of other comprehensive income for the year	57,966	(51,241)
Company's share of total comprehensive income for the year	1,415,673	908,754

As at reporting date, the associate had contingent liabilities arising in the ordinary course of business which includes outstanding letter of guarantee and tender cheques amounting to BD 6,727 (2020: BD 7,137).

## Notes of the financial statements (continued)

for the year ended 31 December 2021

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## 7. INVESTMENT SECURITIES

	2021	2020
Equity Investments at FVOCI	2,641,524	2,658,980
Debt investment at amortised cost	1,967,946	-
	4,609,470	2,658,980
Equity Investments at FVTPL	74,666	2,064,063
	4,684,136	4,723,043

## a) Equity Investments at FVOCI

	2021	2020
Quoted equity Investments	2,285,567	2,307,041
Unquoted equity Investments	355,957	351,939
	2,641,524	2,658,980

The movement in the equity investments at FVOCI is as follows:

	2021	2020
Balance at 1 January	2,658,980	2,741,251
Change in fair value during the year	(17,456)	(82,271)
<b>Balance at 31 December</b>	<b>2,641,524</b>	<b>2,658,980</b>

## b) Equity Investments at FVTPL

	2021	2020
Unquoted equity investment (i)	-	2,000,000
Quoted equity investments	74,666	64,063
	74,666	2,064,063

## Notes of the financial statements (continued)

for the year ended 31 December 2021

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## 7. INVESTMENTS SECURITIES (continued)

## b) Equity Investments at FVTPL (continued)

- (i) Unquoted equity investment of BD 2,000,000 as of 31 December 2020, represented Restricted Investment Account (RIA) Mudaraba Certificates pertaining to underlying investment in International Commodity Murabaha Financing for Corporate (Real Estate) entities with Kuwait Finance House "KFH" – Bahrain portfolio. The RIA Mudaraba Certificates matured on 3 September 2021 and carried a profit rate of 6.5% per annum.

The movement in the fair value of the investments at FVTPL is as follow:

	2021	2020
Balance at 1 January	2,064,063	2,061,515
Disposal during the year	(2,000,000)	-
Change in fair value during the year	10,603	2,548
<b>Balance at 31 December</b>	<b>74,666</b>	<b>2,064,063</b>

## c) Debt investment at amortised cost

	2021	2020
Quoted debt securities	1,967,946	-
	1,967,946	-

Quoted debt securities consist of the following bonds:

Issuer	Face Value	Maturity	Coupon rate
National Oil & Gas Authority	USD 2,300,000	25 October 2027	7.5% semi-annual basis
Ministry of Finance and National Economy	USD 2,400,000	12 October 2028	7% semi-annual basis

## 8. INVENTORIES

	2021	2020
Food and beverages	66,200	43,276
General stores	25,787	30,669
	91,987	73,945

Inventories recognised as expenditure in gross operating costs during the year amounted to BD 371,786 (2020: BD 178,054).

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

## 9. TRADE RECEIVABLES AND OTHER ASSETS

	2021	2020
Trade receivables		
- third parties	294,578	212,117
- related parties (note 18)	1,041	432
Less: Provision for expected credit loss	(44,502)	(52,901)
	251,117	159,648
Accrued receivables	55,667	76,084
Prepaid expenses		
- third parties	107,879	132,079
- related parties (note 18)	1,102	2,307
Advances to suppliers and contractors	2,565	1,045
Other receivables	16,042	27,910
	434,372	399,073

Trade receivables are non-interest bearing. Receivables relating to current guests are due on departure. Receivables relating to other operations and corporate guests are generally due upon invoicing. Movement in the allowance for expected credit loss of receivables was as follows:

	2021	2020
At 1 January	52,901	89,684
Reversal for the year	(8,399)	(36,783)
<b>At 31 December</b>	<b>44,502</b>	<b>52,901</b>

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables except post dated cheques for a small number of receivable balances.

## 10. CASH AND CASH EQUIVALENTS

	2021	2020
Cash on hand	6,613	6,811
Bank balances	2,333,982	1,429,149
Cash and cash equivalents as per the statement of financial position	2,340,595	1,435,960
Less: Restricted cash	-	(3,422)
Cash and cash equivalents as per the statement of cash flows	2,340,595	1,432,538

Bank deposits of BD 3,300,000 (2020: BD 2,500,000) have an original maturity date of more than three months. The average interest rate on carried by these deposits for the year was 2.55% (2020: 2.76%). Restricted cash represents collected dividends by the shareholders yet to be cleared.

The Company has an unused overdraft facility of BD 0.5 million to finance working capital requirements granted by financial institutions in the Kingdom of Bahrain. The facility bear interest of 4.5% per annum above one month Bahrain Interbank Offered Rate charged monthly.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

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## 11. SHARE CAPITAL

	2021	2020
<b>Authorised:</b>		
150,000,000 (2020: 150,000,000) ordinary shares of BD 0.100 each	15,000,000	15,000,000
<b>Issued and fully paid:</b>		
121,275,000 (2020: 121,275,000) shares of BD 0.100 each	12,127,500	12,127,500

## Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	2021	2020
Profit / (loss) for the year	536,990	(5,512,664)
Weighted average number of equity shares	120,092,219	120,092,219
Basic earnings per share in fils	4	(46)

Diluted earnings per share is same as basic earnings per share as the Company does not have any potential dilutive instruments in issue.

## Additional information on shareholding pattern

- (i) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of issued and fully paid shares.

	Nationality	No. of shares	% holding
Kuwait Investment Authority	Kuwait	39,827,884	32.84
Social Insurance Organization – Civil and military	Bahrain	38,989,471	32.15
Kuwait Investment Company	Kuwait	25,399,330	20.94

- (ii) The Company has only one class of equity shares and the holders of these shares have equal voting rights.

- (iii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	11,220,476	3,869	9.26
1% to less than 5%	5,837,839	3	4.81
5% to less than 10%	-	-	-
10% to less than 50%	104,216,685	3	85.93
50% and above	-	-	-
	121,275,000	3,875	100.00

\* Expressed as a percentage of total issued and fully paid shares of the Company.

46.17% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 53.83% by other nationalities. Total shares held by the directors at 31 December 2021 were 0.20% (2020: 0.20%).

## Notes of the financial statements (continued)

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**11. SHARE CAPITAL (continued)****Treasury shares**

Treasury shares represent the purchase by the Company of its own shares. As reporting date, the Company had 1,182,781 shares with acquisition cost of BD 94,726. During the year, the Company did not purchase any shares (2020: nil). The market value as at reporting date was BD 156,127 (2020: BD 159,675). These shares represent 0.98% of the total outstanding shares as at reporting date.

**12. OTHER RESERVES****a) Statutory reserve**

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. During the year, the Company transferred BD 53,699 to statutory reserve (2020: nil).

**b) General reserve**

The general reserve represents funds set aside for the purpose of future capital expenditure and to enhance the capital base of the Company. There are no restrictions over the distribution of this reserve.

**c) Revaluation reserve**

The revaluation reserve relates to the fair valuation of freehold land classified as property, plant and equipment, owned by the Company.

**13. EMPLOYEES' END OF SERVICE BENEFITS**

Movements in the liability recognised in the statement of financial position in respect of employees' end of service benefits are as follows:

	2021	2020
Balance as at 1 January	226,599	303,129
Provided during the year	43,141	51,998
End of service benefits paid	(48,279)	(128,528)
Balance as at 31 December	221,461	226,599

**14. TRADE AND OTHER PAYABLES**

	2021	2020
Accrued expenses	487,307	400,981
Trade payables	394,468	165,217
Amounts due to related parties (note 18)	136,718	216,626
Dividends payable (note 10)	-	3,422
Advances from customers	55,002	56,558
Provision for charitable contributions	45,000	45,000
Construction contractors payable	-	126,428
Contract liability	40,570	11,863
Other payables	18,029	6,613
	1,177,094	1,032,708

## Notes of the financial statements (continued)

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**15. REVENUE FROM CONTRACTS WITH CUSTOMERS**

	2021	2020
Hotel rooms	1,302,818	929,304
Serviced apartments	1,337,981	1,143,518
Food and beverages	984,837	609,618
Others	202,667	108,204
	3,828,303	2,790,644

**16. OPERATING COSTS**

	2021	2020
Food and beverages	809,900	520,931
Room related expenses	363,573	358,347
Serviced apartments related expenses	460,169	404,840
Expenses related to office towers	258,520	252,097
Other operating costs	1,540,034	1,241,892
	3,432,196	2,778,107

An analysis of gross operating costs on the basis of nature of expenses is as follows:

	2021	2020
Payroll and related expenses	1,414,497	1,221,290
Overhead expenses	282,919	447,506
Consumption of inventories	371,786	178,054
Utilities, insurance and taxes	634,859	381,566
Repairs and maintenance	168,451	182,149
Commission expenses	188,461	136,992
Management fees (note 18)	86,748	71,724
Sales and marketing	89,064	76,828
Others	195,411	81,998
	3,432,196	2,778,107

**17. OTHER INCOME**

	2021	2020
Government levy subsidy	80,613	85,118
Miscellaneous income	133,983	10,761
	214,596	95,879

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

**18. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Transactions with related parties included in the statement of profit or loss are as follows:

2021	Share of profit	Purchases	Management fees	Other expenses	Revenues
	Shareholder	-	-	-	-
Associate	1,359,707	63,414	-	-	700
Management company (Rezidor)	-	-	86,748	44,227	-
Directors	-	-	-	120,800	1,501
	<b>1,359,707</b>	<b>63,414</b>	<b>86,748</b>	<b>165,027</b>	<b>614,945</b>

2020	Share of profit	Purchases	Management fees	Other expenses	Revenues
	Shareholder	-	-	-	-
Associate	959,995	20,982	-	-	-
Management company (Rezidor)	-	-	71,724	16,214	-
Directors	-	-	-	212,000	2,793
	<b>959,995</b>	<b>20,982</b>	<b>71,724</b>	<b>228,214</b>	<b>615,537</b>

Balances with related parties included in the statement of financial position are as follows:

	Trade and other receivables		Trade and other payables	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Associate	818	-	6,983	4,232
Management Company (Rezidor)	284	2,307	76,635	51,394
Directors	1,041	432	53,100	161,000
	<b>2,143</b>	<b>2,739</b>	<b>136,718</b>	<b>216,626</b>

**Terms and conditions of transactions with related parties**

Outstanding balances at the year end arise in the normal course of business and are unsecured, interest free and settlement occurs in cash, and are usually settled within 30 days. There have been no guarantees received or provided for any related party payable and receivable balances.

The directors' remuneration charged to statement of profit or loss during the year ended 31 December 2021 amounted to BD 53,100 (2020: BD 161,000) which only includes the basic fees. Further, the directors' remuneration related to year ended 31 December 2020 paid during the year amounted to BD 40,000 (2020: BD 156,125 related to year ended 31 December 2019).

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

**18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)****Compensation of key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly of the entity. The remuneration of key management personnel, other than directors, during the year were as follows:

	2021	2020
Short-term benefits	168,409	182,253
Post-employment benefits	3,724	4,841
	<b>172,133</b>	<b>187,094</b>

**19. PROPOSED APPROPRIATIONS**

	2021	2020
<b>Proposed appropriations:</b>		
Cash dividend	1,200,922	960,738

Proposed appropriation of the 2021 results are subject to approval by shareholders at the Annual General Meeting. During the annual general meeting held on 26 March 2021 the shareholders approved a dividend of BD 960,738 for the year 2020.

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****Introduction**

The Company manages risk through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to interest rate risk, credit risk, liquidity risk, equity price risk and reputational risk.

**Board of Directors**

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

**Executive committee**

The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company. It is also responsible for market and liquidity risks pertaining to the Company's investment activity by optimising liquidity and maximising returns from the funds available to the Company.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's overdraft facilities with floating interest rates. An increase in the interest rate on the outstanding overdraft facilities by 100 basis points with all other variables held constant, would have changed the profit for the year by an immaterial amount.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on certain portion of its trade and other receivables, balance with bank and investment in mudaraba. The Company places its deposits and funds with banks and investment managers having good credit ratings and they believe that the related credit risk is minimal. With regard to trade and other receivables, the Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables on an on-going basis.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

2021	Less than 31 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
Estimated total gross carrying amount at default	190,981	38,982	17,621	19,525	28,510	295,619
ECL	(2,783)	(5,405)	(2,063)	(11,900)	(22,351)	(44,502)
Net trade receivables	188,198	33,577	15,558	7,625	6,159	251,117
2020	Less than 31 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
Estimated total gross carrying amount at default	71,177	45,218	14,431	50,534	31,189	212,549
ECL	(2,500)	(5,188)	(2,746)	(17,052)	(25,415)	(52,901)
Net trade receivables	68,677	40,030	11,685	33,482	5,774	159,648

The Company provides its services to a large number of customers. Its largest five customers account for 46% of outstanding trade receivables at 31 December 2021 (2020: 30%).

The Company's maximum exposure to credit risk is limited to the carrying amounts of the following financial assets:

	2021	2020
Trade receivables - net	251,117	159,648
Other receivables	16,042	27,910
Cash and cash equivalents	2,333,982	1,429,149
Bank deposits	3,300,000	2,500,000
	5,901,141	4,116,707

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

As at 31 December 2021, The Company has BD 5,200,828 of resources comprising cash and cash equivalents of BD 2,340,595 and, other highly liquid assets (listed shares) of BD 2,360,233 and unused credit line available of BD 500,000 which will be sufficient to meet its obligations when they fall due. The Company's associate continues to perform well and is expected to continue to provide cash flows to the Company through dividend distribution.

The contractual maturities of financial liabilities are less than one year as at the reporting date.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are mainly in Bahraini Dinars and United States Dollars. The Company is not exposed to significant currency risk as the Bahraini Dinar is pegged to the United States Dollar.

**Equity price risk**

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Company controls equity price risk by diversifying its investments.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant.

	2021			2020		
	Change in equity price	Effect on equity	Effect on profit	Change in equity price	Effect on equity	Effect on profit
Equity investments at FVOCI	+5%	97,251	-	+5%	98,165	-
	-5%	(97,251)	-	-5%	(98,165)	-
Equity investments at FVPL	+5%	-	4,127	+5%	-	2,748
	-5%	-	(4,127)	-5%	-	(2,748)

The Company also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, then the statement of profit or loss will be impacted.

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The board of directors monitor both the demographic spread of shareholders, as well as the return on capital, which the Company defines as total shareholders' equity and the level of dividends to shareholders. The board seeks to maintain a balance between the higher returns and growth that might be possible by a sound capital position. There were no significant changes in the Company's approach to capital management during the year.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

## 21. FAIR VALUE

## Financial assets and liabilities measured at fair value

Financial assets consist of cash and cash equivalents, bank deposits, trade and other receivables and investments. Financial liabilities consist of trade and other payables.

The following table sets out the fair values of financial instruments measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised as at reporting date.

2021	Level 1	Level 2	Level 3	Total
Investments at FVOCI	2,285,567	-	355,957	2,641,524
Investments at FVTPL	74,666	-	-	74,666
	2,360,233	-	355,957	2,716,190

2020	Level 1	Level 2	Level 3	Total
Investments at FVOCI	2,307,041	-	351,939	2,658,980
Investments at FVTPL	64,063	-	2,000,000	2,064,063
	2,371,104	-	2,351,939	4,723,043

There were no transfers between Level 1 and Level 3 of the fair value hierarchy during the year. The table below shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2021	2020
Balance at 1 January	2,351,939	2,348,309
Addition during the year	-	-
Disposal during the year	(2,000,000)	-
Net change in fair value:		
- in other comprehensive income	4,018	3,630
<b>Balance at 31 December</b>	<b>355,957</b>	<b>2,351,939</b>

## Financial assets and liabilities not measured at fair value

The fair value of other financial assets not measured at fair value include cash equivalents, bank balances, trade receivables and other assets approximated their respective book values due to their short-term nature.

The fair value of other financial liabilities, including trade and other payables are measured at amortised cost which is not materially different from to its carrying amount.

## Non-financial assets not measured at fair value but where the fair value is disclosed

The fair value of the Company's investment property and freehold land as at reporting date have been arrived at on the basis of a valuation carried out on the respective dates. The fair value was determined by the management based on investment capitalisation approach that reflects the net potential income of the property over the capitalisation rate. Accordingly, the fair value has been categorised as level 3 in the fair value hierarchy.

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

## 22. SEGMENT INFORMATION

The Company's operating businesses are organised into the following segments:

Hotel business	-	Room rental, food and beverage sales, conferences and events.
Office towers	-	Office rental from two commercial towers.
Investments and corporate	-	Income from investments including the associate, equity investments, bank deposits and head office expenses.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, investments and accounts receivable. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two segments is allocated to segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued liabilities.

31 December	Hotel business		Office towers		Investments and corporate		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenue from contracts with customers	3,828,303	2,790,644	-	-	-	-	3,828,303	2,790,644
Rental income	-	-	1,139,721	1,120,704	-	-	1,139,721	1,120,704
Gross operating costs	(3,173,676)	(2,526,010)	(258,520)	(252,097)	-	-	(3,432,196)	(2,778,107)
Gross operating profit	654,627	264,634	881,201	868,607	-	-	1,535,828	1,133,241
Investment income - net*	-	-	-	-	1,680,695	1,295,910	1,680,695	1,295,910
Other Income	80,613	85,118	-	-	133,983	10,761	214,596	95,879
Depreciation	(1,795,709)	(1,786,598)	(760,385)	(765,156)	-	-	(2,556,094)	(2,551,754)
Impairment	-	(471,822)	-	(4,455,431)	-	-	-	(4,927,253)
General and administration expenses	-	-	-	-	(332,611)	(430,633)	(332,611)	(430,633)
Loss of Write-Off of Property, Plant & equipment	-	(128,054)	(5,424)	-	-	-	(5,424)	(128,054)
<b>Profit / (loss) for the year</b>	<b>(1,060,469)</b>	<b>(2,036,722)</b>	<b>115,392</b>	<b>(4,351,980)</b>	<b>1,482,067</b>	<b>876,038</b>	<b>536,990</b>	<b>(5,512,664)</b>

\* Including share of profit of associate

31 December	Hotel business		Office towers		Investments and corporate		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Total assets	28,765,261	30,574,563	32,541,252	33,185,572	17,673,369	15,463,609	78,979,882	79,223,744
Total liabilities	1,304,451	1,001,620	35,755	28,272	58,349	229,414	1,398,555	1,259,306

## Notes of the financial statements (continued)

for the year ended 31 December 2021

Bahraini Dinars

### 23. COMMITMENTS AND CONTINGENCIES

The Company does not have capital expenditure commitment for the year related to the refurbishment of the hotel and other related capital expenditures (2020: BD 225,000).

The Company has an outstanding guarantee of BD 4,050 as at reporting date (2020: BD 4,050).

### 24. IMPACT OF COVID-19

On 11 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Company. The Company is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Company has received some benefits from these Packages mainly in the form of temporary waiver of Electricity and Water Authority utility bills, Government levy and partial reimbursement of salaries of employees from the Unemployment Fund.

Total package received by the Company during the year was BD 143,093 (2020: BD 361,353). Included in statement of profit or loss for the year BD 62,480 of government support received relating to supporting the payroll of Company's employees and BD 80,613 relating to Government levy. The Company has elected to present payroll support by reducing the related expense. Government levy has been presented in other income.

The management have been closely monitoring the potential impact of the COVID-19 developments on the Company's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts, outsourcing arrangements etc. Based on their assessment, the management is of the view that the Company will continue as a going concern entity for the next 12 months from the date of these financial statements.

In preparing the financial statements, judgements made by management in applying the Company's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

### 25. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current period presentation. Such reclassifications do not affect previously reported profit or equity.

# Corporate Governance Report

For the year  
31 December 2021



شركة الفنادق الوطنية  
NATIONAL HOTELS COMPANY (BSC)

## Corporate Governance Report

for the year ended 31 December 2021

### 1- Actions taken to complete the Corporate Governance Code

The Corporate Governance Code issued by the Ministry of Industry, Commerce and Tourism on 28th March 2019 (as amended) forms the cornerstone that the National Hotels Company BSC (the "Company") adopts in conducting its daily commercial transactions, while adhering the laws of the Kingdom of Bahrain

The Corporate Governance Code governs the relationship between the Company and its shareholders, Board of Directors, Executive Management, Employees and other parties (such as customers, legal bodies, suppliers and all individuals or corporates with whom the company transacts).

Implementing astute corporate governance is an important component of the company's construct and hence the Company ensures that all the transactions with all involved parties are conducted in a responsible and safe manner at all times.

In addition, and in an effort to make the Company's shares an attractive investment option for the existing shareholders and new investors alike, the Company adopts a clear and transparent communication with all of its shareholders at all times.

In doing so, the Company's management periodically announces the results of its operations transparently and accurately in line with the requirement of the Corporate Governance Code and International Accounting Standards, in addition to the prevailing laws of the Kingdom of Bahrain.

Further to the above, the Company complies with the requirement of the Corporate Governance Code and ensures compliance with best international practices.

This report reflects in a clear and transparent manner the Company's compliance with and implementation of the Corporate Governance Code content for the financial year 2021.

### 2- Dealings of the Directors and their relatives in the Company's Shares

There were no dealings conducted (sale / purchase) in the Company's shares by the members of the Board of Directors, their spouses or their children during the year.

### 3- Composition of the Board

#### A. Current Board of Directors Composition:

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
1	<b>Faisal Ahmed Al Zayani</b>	Independent / non-executive	<ul style="list-style-type: none"> <li>A reputable Businessman in the Kingdom of Bahrain</li> <li>He holds a PhD in Management.</li> </ul>	30/4/1983	31/3/2024	NIL	NIL

## Corporate Governance Report (continued)

for the year ended 31 December 2021

### 3- Composition of the Board (continued)

#### A. Current Board of Directors Composition (continued):

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
2	<b>Adel Nuhaba Hamada</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving as the Director of Investment Accounting Department at the Kuwait Investment Authority.</li> <li>Has extensive experience in Business Management.</li> <li>Held several positions in the Presidential Positions including General Manager of Yousif Mohammed Al Shaya Group, Director of Financial Affairs, Director of Purchasing and Warehousing Department, Director of Internal Audit Department, General Revenue Controller and Head of Cost and Budget Accounts at various periods in Kuwait Public Transport Company.</li> <li>Held the position of Senior Accountant at Kuwait Real Estate Investment Group.</li> <li>Holds a Bachelor of Commerce degree from the University of Kuwait and a Master's degree in management and management accounting from Kens College of Business, London.</li> </ul>	28/3/2018	31/3/2024	NIL	NIL
3	<b>AbdulAziz Abdullah Alisa</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving as the Executive Director of Legal Affairs and Secretary of the Board of Directors of the Social Insurance Authority.</li> <li>Holds a Basic Supervision Diploma from the University of Bahrain and a Bachelor of Law from the University of Beirut.</li> </ul>	29/3/2013	31/3/2024	NIL	NIL
4	<b>Meshari Zaid Al Khalid</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving General Manager of Al-Khalid International Group, Kuwait.</li> <li>Has extensive experience in the Business Management.</li> <li>Held several key positions, including; a General Manager of the Kuwait Real Estate Investment Group, Chairman and Managing Director of Safat Real Estate Company, Executive Committee member of the Egyptian Gulf Bank and the Kuwait-Egypt Investment Company.</li> <li>Holds a Bachelor's Degree in Commerce from the college of Business Administration, Cairo University.</li> </ul>	27/3/2002	31/3/2024	NIL	NIL
5	<b>Faisal Yousif Al Meshari</b>	Non-executive	<ul style="list-style-type: none"> <li>Currently serving Assistant General Manager for Investment and corporate Finance at the Kuwait Investment Company.</li> <li>Senior Manager within the Business Development Department at the Kuwait Investment Company.</li> <li>Held the position of Financial Analyst at Kuwait and Middle East Financial Investment Company.</li> <li>Holds a Bachelor's Degree in finance from the Administrative Sciences College - University of Kuwait.</li> </ul>	28/3/2018	31/3/2024	NIL	NIL

## Corporate Governance Report (continued)

for the year ended 31 December 2021

### 3- Composition of the Board (continued)

#### A. Current Board of Directors Composition (continued):

No.	Name	Type (executive, non-executive and independent)	Experience and Qualifications	The duration of his term as a director of the company starting from the date of his first election or appointment		Directorships and positions in any other companies	Positions in any other key regulatory, government or commercial entities.
				From	To		
6	Elham Adel Ahmed	Non-executive	<ul style="list-style-type: none"> <li>Senior Investment manager within the strategic investments department at Osool Asset Management BSC(c).</li> <li>Held the position of Financial Analyst at Bahrain National Holding Company.</li> <li>Held the position of financial analyst at Ithmaar Development Company.</li> <li>A Chartered Financial Analyst (CFA) and a holder of a Bachelor's Degree in Banking and Finance from the University of Bahrain.</li> </ul>	28/3/2018	31/3/2024	NIL	NIL
7	Shehab Ahmed Haji	Non-executive	<ul style="list-style-type: none"> <li>Currently works as an investment manager in the General Reserve Sector at the Kuwait Investment Authority.</li> <li>Held several positions in various banking fields, most notably the position of Relationship Officer at Gulf Bank in Kuwait.</li> <li>Holds a Bachelor's Degree in financing and management of financial institutions - the College of Administrative Sciences from the University of Kuwait.</li> </ul>	28/3/2018	31/3/2024	NIL	NIL
8	Abdulrahman Ali Marshad	Independent / non-executive	<ul style="list-style-type: none"> <li>Held the Position of Chief Executive Officer at National Hotels Company B.S.C. (1979 to 2017)</li> <li>Has extensive experience in the Hospitality sector and assets management field for more than 35 years.</li> </ul>	28/3/2019	31/3/2024	NIL	NIL

#### B. Description of the following:

- The directors' remuneration for the past year (2020) was BD 40,000.
- The total directors' remuneration proposed for the current year (2021) is BD 53,100, which will be presented at the Annual General Meeting for approval.

## Corporate Governance Report (continued)

for the year ended 31 December 2021

### 3- Composition of the Board (continued)

#### B. Description of the following (continued):

- The following is a list of the committee attendance fees of the respective directors for the financial year 2021:

No.	Name	Name of Committee	Attendance allowances for committees of the Board	
			Value of the allowance (Bahraini Dinar)	Number of meetings
1	Abdulaziz Abdullah Alisa	Executive, Nomination & Remuneration Committee	750 /-	5
2	Adel Nuhaba Hamada	Executive, Nomination & Remuneration Committee	750 /-	4
3	Faisal Yousif Al Meshari	Executive, Nomination & Remuneration Committee	750 /-	5
4	Meshari Zaid Al Khalid	Audit & Corporate Governance Committee	750 /-	5
5	Abdulrahman Ali Marshad	Audit & Corporate Governance Committee	750 /-	5
6	Elham Adel Ahmed	Audit & Corporate Governance Committee	750 /-	5
7	Shehab Ahmed Haji	Audit & Corporate Governance Committee	750 /-	5

#### C. Meetings of the Board of Directors:

In accordance with the Company's Articles of Association, the Company is required to hold at least four Board meetings annually. During the year ended 31 December 2021, the Board of Directors of the Company held six meetings to follow up on its activities and to direct the Executive Management. The first meeting was a physical meeting held at the Company premises. The latter four meetings were held virtually, with partial physical attendance by some members. The following table summarizes the information about the dates and member attendance of those meetings.

#### Board of Directors Meeting Schedule:

Meeting Number	Date of Invitation	Date of the meeting	Attendance	Number of Absence
1	31/1/2021	18/2/2021	7	1
2	8/4/2021	29/4/2021	8	-
3	4/7/2021	29/7/2021	8	-
4	5/9/2021	23/9/2021	7	1
5	21/10/2021	11/11/2021	8	-
6	5/12/2021	23/12/2021	8	-

#### D. Duties or competences carried out on its behalf by the Executive Management:

There were no Board of Directors specific tasks or assignments that have been carried out by the Executive Management, based on the basis of a mandate from the Board.

## Corporate Governance Report (continued)

for the year ended 31 December 2021

### 3- Composition of the Board (continued)

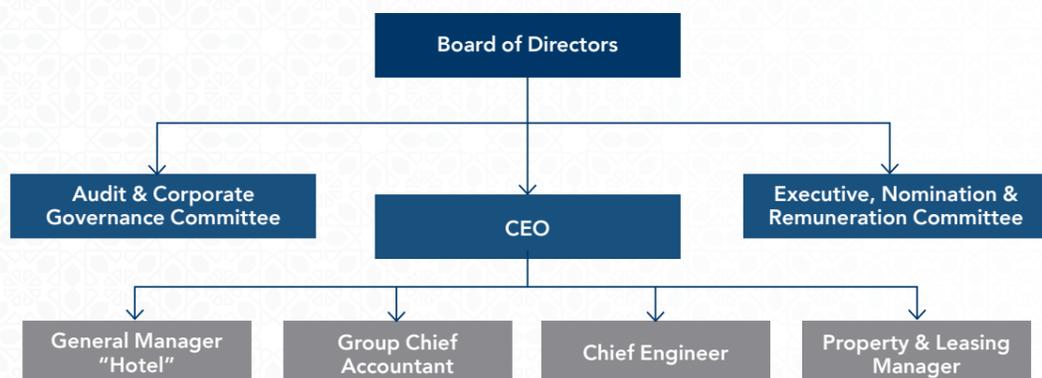
#### E. Details of transactions with related parties (stakeholders), indicating the nature of relationship and type of transaction

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors. The following table shows the transactions made with related parties during the year, indicating the nature of the relationship and the type of deal.

Transactions with related parties included in the statement of profit or loss are as follows:

Related parties	Purchases	Fees for Management services		Revenue and other income
		Other expenses		
Bahraini Dinar				
Shareholder	-	-	-	612,744
Associate company	63,414	-	-	700
Management Company (Rezidor)	-	86,748	44,527	-
Directors	-	-	120,800	1,501
Total	63,414	86,748	165,327	614,945

#### F. Organizational structure highlighting the Company's first and second tier of the executive management



G. Total remunerations paid to the executive management during the financial year (2021) amounted to 168,409/- Bahraini Dinars.

### 4- External Auditor

Upon a recommendation from the Board of Directors, the Ordinary General Assembly at its meeting held on 25/3/2021 appointed Ms. "KPMG" as the external auditor of the Company for the financial year ended 31/12/2021, at an agreed fee of BD 14,500/-, which includes the review of quarterly data for the period.

Ms. "KPMG" have been the external auditor of the company since 2020. The external auditor has submitted an unqualified opinion for the year 2021 to the Board of Directors, which will be presented at the Ordinary General Assembly to be held on 31/3/2022.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), the Commercial Companies Law of the Kingdom of Bahrain and the directives and regulations issued by the Central Bank of Bahrain.

## Corporate Governance Report (continued)

for the year ended 31 December 2021

### 4- External Auditor (continued)

The table below highlights the External Auditor's details:

Name of Audit firm	KPMG
Years of service as the company's external auditor	2 years
The partner in charge of the company's audit	Mr. Jaafar Al Qubaiti
Total audit fees for the financial statements for the year 2020 (BD)	14,500/- BD
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2020 if any. In the absence of such fees, this shall be expressly stated.	3,000/- BD

### 5- Audit & Corporate Governance Committee

The role of the Audit & Corporate Governance Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Audit & Corporate Governance Committee has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the Company's expense, such legal, accounting or other advisers, consultants or experts, as it considers necessary from time to time in the performance of its duties. The Committee held five meetings during the year, and the following table highlights the details and the attendance of the committee members for these meetings.

Audit & Corporate Governance Committee Attendance Table:

No.	Name	Position	Number of meetings attended	Dates of meetings held				
				17/2/2021	28/4/2021	28/7/2021	10/11/2021	22/12/2021
1	Meshari Zaid Al Khalid	Chairman of the Audit & Corporate Governance Committee	5	*✓	*✓	✓	✓	✓
2	Abdulrahman Ali Marshad	Member	5	✓	✓	✓	✓	✓
3	Elham Adel Ahmed	Member	5	*✓	*✓	*✓	*✓	*✓
4	Shehab Ahmed Haji	Member	5	*✓	*✓	✓	✓	✓

\* Virtual Attendance

### 6- Nomination and Remuneration Committee (NRC)

The Board of Directors decided to assign the roles and responsibilities of the Nomination and Remuneration Committee to the Executive Committee in 2019. The Committee resumed its duties and conducted its meetings during 2021.

### 7- Corporate Governance Officer

The Board of Directors has assigned the role of Corporate Governance Officer to the Chief Executive Officer since joining the Company in 2019. The following is the resume of the Corporate Governance Officer:

Mr. Zaher Mohammed Al-Ajjawi has held many key positions during his professional career mainly in the field of accounting, finance and banking. Through his work in international organizations in the United States, the United Kingdom and the UAE, he has acquired many executive and operational skills in banking, investment and real estate sectors. In addition, he has represented a number of companies on the boards and committees of several companies, banks and funds, which gained him considerable experience in the field of corporate governance. Mr. Zaher has participated in many investment conferences and international trade forums, and has attended several training and professional courses, including a project management plan course (PMP) and financial analysis.

## Corporate Governance Report (continued)

for the year ended 31 December 2021

### 7- Corporate Governance Officer (continued)

Mr. Al Ajjawi holds a Master's degree in Finance (with Honors) from DePaul University in the USA and a Bachelors of science in Accounting (with Honors) from the University of Bahrain. He is also a Certified Public Accountant (CPA) from the State of Illinois, USA.

Mr. Zaher can be contacted on the following numbers: 17530838 / 17530839 or e-mail: zalajjawi@nhcbahrain.com.

### 8- Irregularities committed during the Financial Year

No irregularities have been committed during the financial year 2021.

### 9- Cash and in-kind contributions to Charities & National Establishments

The Company provided many cash contributions to different charities and national establishments reaching a total of BD 45,000/- in 2021. The Company maintains the details of these donations and details of the receiving parties within its records.

### 10- Shareholders Information

A. The following table presents the Company's shareholder distribution by type of shareholder as of 31 December 2021:

No.	Shareholder classification	Shareholding %			Total
		Individuals	Corporate	Government or Organisations	
1	Local	12.24%	1.78%	32.15%	46.17%
2	Arab	-	0.05%	53.78%	53.83%
3	Foreign	-	-	-	-
	<b>Total</b>	<b>12.24 %</b>	<b>1.83%</b>	<b>85.93%</b>	<b>100%</b>

B. The following table highlights the shareholders with a holding of 5% or more in the Company's share capital, with the name of the natural person / owner of the stock / final beneficiary, as of 31 December 2021:

No.	Name	No. of shares held	Shareholding %	Name of the natural person, the final beneficiary
1	Kuwait Investment Authority	39,827,884	32.84 %	Government of Kuwait
2	Social Insurance Organisation	38,989,471	32.15 %	Government of the Kingdom of Bahrain
3	Kuwait Investment Company	25,399,330	20.94 %	Government of Kuwait

C. The following table highlights the shareholder distribution by size of ownership as of 31 December 2021:

No.	Distribution of ownership Stock	Number of shareholders	Number of shares owned	Percentage of shares owned by the capital
1	>50,000	3,842	3,403,656	2.81%
2	50,000 to 500,000	20	3,065,224	2.53%
3	500,000 to 5,000,000	10	10,589,435	8.73%
4	<5,000,000	3	104,216,685	85.93%
	<b>Total</b>	<b>3,875</b>	<b>121,275,000</b>	<b>100.00%</b>

D. Significant events that occurred during the year 2021:  
Nil.

## Corporate Governance Report (continued)

for the year ended 31 December 2021

### 11- Compliance with the provisions of Corporate Governance Code

Principle	Non-compliant	Partially Compliant	Fully compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.		✓		Subsection 1 requires that at least half of the directors shall be non-executive directors and at least three shall be independent. Subsection 5 requires that at least one third of the Board shall consist of independent directors.  All of the eight Board members are non-executive, whilst only two are independent members. The Company's Articles of Association states that six of the eight Board members are appointed by the three key shareholders (i.e. two members each). Therefore, the Company is not in full compliance with this requirement due to the board construct.  More importantly, the majority shareholders represent Government Bodies who exercise utter vigilance in ensuring that a strong code of governance is implemented and minority interests are safeguarded at all times. Finally, and under the current circumstances, limited size of operations and level of business complexity, the board does not see a compelling need to appoint a third independent director. Instead, it adopts other measures to ensure independence of decisions and the protection of its minority shareholders, such as; periodic independent audits and reviews conducted by professional companies, transparency of reporting and disclosure to shareholders, emphasis on implementing sound ethics and independent decision / judgement by the Executive Management, etc.. As a result, the Board does not perceive a dilution of the independence and objectivity of the Board or its committees.
Principle 2: The directors and executive management shall have full loyalty to the Company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and financial reporting, Internal control and compliance with law.		✓		Subsection 1 requires that the Audit Committee should consist of at least three directors and majority of them are independent, including its Chairman. Currently, the Audit Committee is composed of four directors, one of whom is independent. However, the current Chairman of the Audit Committee is a non-independent director. All non-independent directors represent Government Bodies, exercising prudence and high levels of ethics. The Board is of the opinion that this does not necessarily dilute the corporate governance standards set or implemented.

## Corporate Governance Report (continued)

for the year ended 31 December 2021

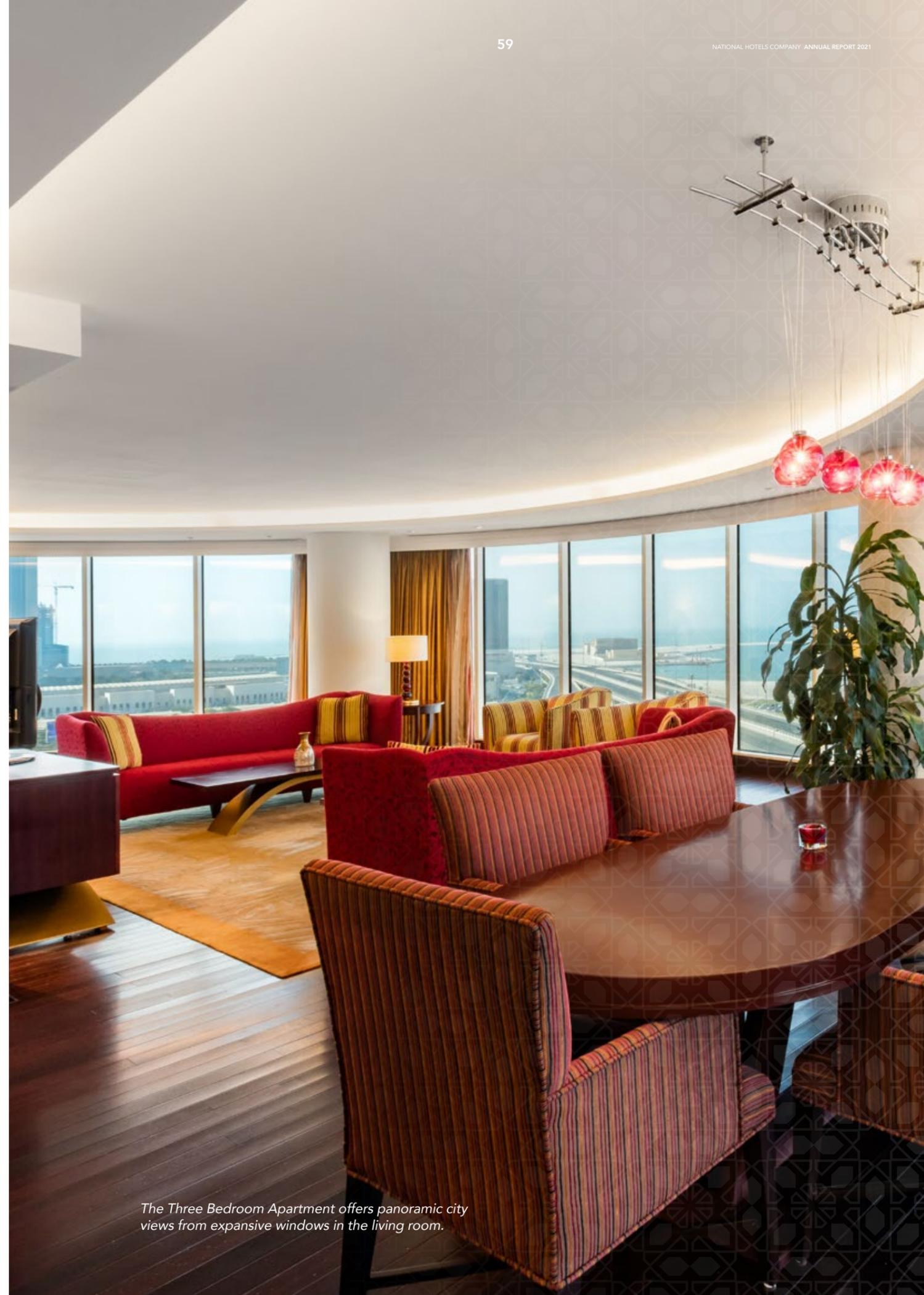
### 11- Compliance with the provisions of Corporate Governance Code (continued)

Principle	Non-compliant	Partially Compliant	Fully compliant	Explanation in case of non-compliance
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors		✓		Subsection 1 requires that the Nomination Committee should consist of at least three directors and majority of them are independent, including its Chairman. Currently, the Nomination Committee is composed of three directors, however, none of them are independent. Directors represent Government Bodies, exercising prudence and high levels of ethics. The Board is of the opinion that this does not necessarily dilute the corporate governance standards set or implemented.
Principle 5: The Company remunerate directors and senior officers fairly and responsibly.			✓	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			✓	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			✓	
Principle 8: The Company shall disclose its corporate governance.			✓	
Principle 9: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 10: The Company shall seek, through social responsibility, to exercise its role as a good citizen.			✓	

### 12- Any other disclosures required by the regulatory authorities

In light of the COVID-19 pandemic, and the resultant impact on businesses within the Kingdom, the Central Bank of Bahrain (“CBB”) has issued its letter dated 14th July 2020 (ref. OG/259/2020) requesting all listed companies to prepare and disclose an additional report that highlights the impact of COVID-19 on their respective operations (“Supplementary Disclosure – Financial Impact of COVID-19”).

Accordingly, the Company has prepared and shared the Supplementary Disclosure – Financial Impact of COVID-19 for the respective periods (1st Quarter, 2nd Quarter, 3rd Quarter and Year-end 2021). These reports have been published on the Bahrain Bourse website.



The Three Bedroom Apartment offers panoramic city views from expansive windows in the living room.

“Bo.Sabi offers outdoor dining with a relaxing view of the pool.”





THE DIPLOMAT RESIDENCE