



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

**40 YEARS  
OF GROWTH**  
ANNUAL REPORT 2022



# How to navigate this document

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**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





*The recently constructed Diplomat  
Hotel, strategically located within  
the Diplomatic Area.*

1982



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*The Diplomat Hotel stands elegantly, located at the intersection of the Diplomatic area & Muharraq bridge.*

1986



## Board of Directors



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



Zaher M Al-Ajjawi  
Chief Executive Officer

*Sixteen years after  
commencement of operations,  
the Diplomat Hotel continues to  
offer its services to the public.*

1998





*The Diplomat Hotel continues its  
glorious journey, with the addition  
of the Diplomat Residences.*

2008



# Board of Directors’ Report

**This year marked the 40th year anniversary of operating the Diplomat Radisson Blu Hotel; 40 years of relentless effort, contribution, value-creation and financial returns to our shareholders.**

**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 2022.

**2022 Overview**

We have ended the 2022 financial year stronger than before. Emerging from the pandemic, we were unclear on what lies ahead of us, with traces of uncertainty still looming in the horizon. Nevertheless, we have worked tirelessly and with discipline to improve our operational and financial performance, and have been successful in doing so. We have identified effective and efficient ways to conduct ourselves and have managed to gather more momentum and business as compared to the earlier years.

This year also marked the 40th year anniversary of operating the Diplomat Radisson Blu Hotel; 40 years of relentless effort, contribution, value-creation and financial returns to our shareholders. We have proudly celebrated this anniversary in a limited corporate event that was attended by dignitaries, government officials, ambassadors and corporate guests.

**Key Achievements**

Below are some key achievements for the year that I am proud to share with you, amongst many others.

- We have successfully completed the construction of two padel courts, a single-net basketball court and external pool service facility. This recent addition to the hotel facilities will help better serve our hotel guests and health club members.
- We have refurbished our pool lounge outlet (SOL Pool Lounge), creating a casual setting that would serve corporate events, private functions and daily guest service. We inaugurated the outlet during the 2022 World Cup games, turning the whole pool area into a vibrant and fun-filled zone, with which our guests were extremely happy.

**Financial Performance**

The Company delivered a commendable financial performance for the year.

**A) Hotel:**

- Hotel average Occupancy reached 45% (2021: 37%), whilst the Average Room Rate amounted to BD 60 (2021: BD 54).
- Revenue amounted to BD 5,663K (2021: 3,828K).
- The Gross Operating Margin increased to 30 %, reaching BD 1,689K (2021: BD 655K).

**B) Commercial Offices:**

- The Gross Operating Margin for the Diplomat Commercial Offices reached 77%, BD 922K (2021: BD 881K).

**C) Overall Company Performance:**

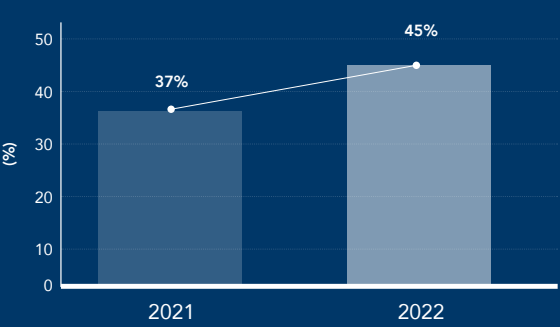
- The Company's Operating Revenues increased by 38%, reaching BD 6,858K (2021: BD 4,968K), whilst the Gross Operating Profit increased by 70% from the prior period.
- Net Profit reached BD 2,869K (2021: BD 537K), the highest since the past 5 years.
- The Earnings per Share reached 24 fils for the year (2021: 4 fils), the highest since the past 5 years.
- The Company remains cash positive and enjoys a strong liquidity and solvency.
- Growth in Company Assets by BD 3,591K.
- The Company had equity attributable to its shareholders of BD 80.7M, compared to BD 77.6M for 2021.

**Corporate Governance**

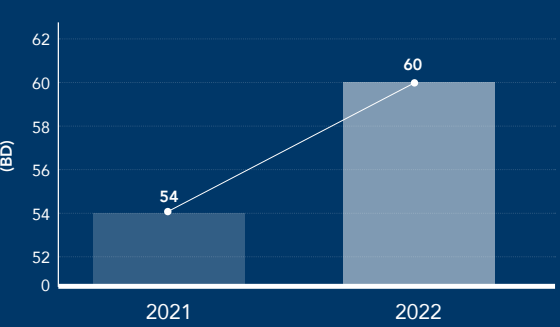
The Company continues to closely follow the Corporate Governance Code issued by the Ministry of Industry and Commerce, as well as the requirements within the CBB Rule Book and other corporate best practices in conducting its day-to-day operations. The Board's Corporate Governance Report shall be included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

# Financial Performance

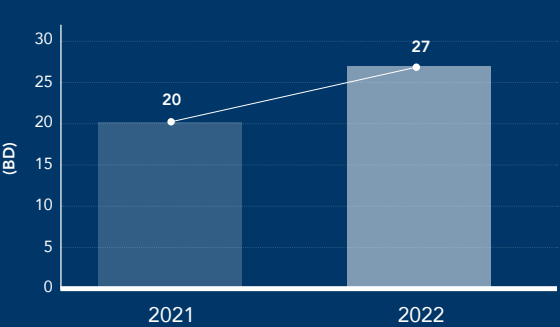
Average Occupancy



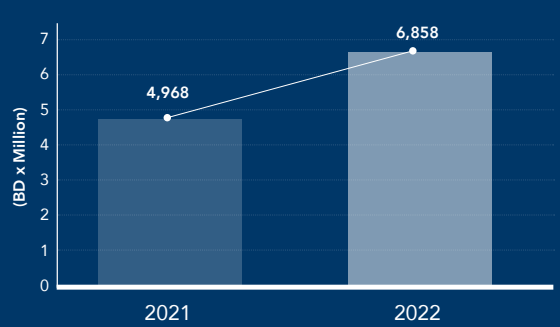
Average Room Rate



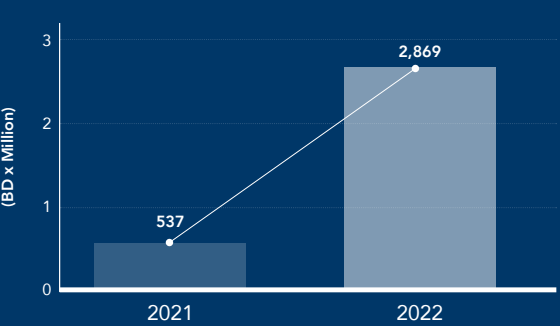
Revpar



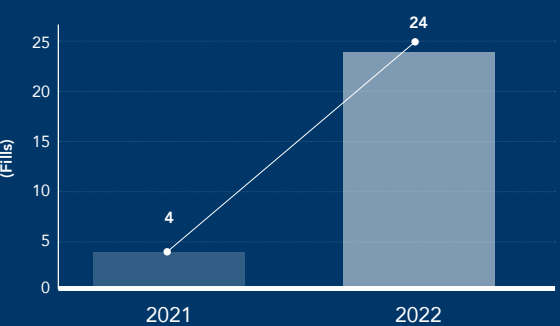
Operating Revenues



Net Profit



Earnings per Share



*The Company remains cash positive and enjoys a strong liquidity and solvency.*





*The Diplomat Commercial Offices building was inaugurated, and a new chapter in the Kingdom's real estate history commenced.*

2012



Board of Directors’ Report (continued)

For the year ended 31 December 2022 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	Shareholders	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	Others	Total	Remunerations of the Chairman and BOD	Incentive Plans	Others	Total			
Independent Directors:												
Faisal A Al Zayani	-	27,750	3,000	-	30,750	-	-	-	-	-	30,750	1,100
A Rahman A Marshad	-	25,750	7,500	-	33,250	-	-	-	-	-	33,250	1,100
Non-Executive Directors:												
Adel N Hamadeh	KIA	27,750 **	6,750	-	34,500	-	-	-	-	-	34,500	5,500
A Aziz A Alisa	SIO	25,750 **	7,500	-	33,250	-	-	-	-	-	33,250	1,100
Mishari Z Al Khalid	KIC	25,750	7,500	-	33,250	-	-	-	-	-	33,250	5,500
Faisal Y Almeshari	KIC	25,750	7,500	-	33,250	-	-	-	-	-	33,250	3,300
Elham A Ahmed	SIO	25,750 **	7,500	-	33,250	-	-	-	-	-	33,250	1,100
Shehab A Haji	KIA	25,750 **	7,500	-	33,250	-	-	-	-	-	33,250	5,500
Total (Bahraini Dinars)		-	210,000	54,750	-	264,750	-	-	-	-	264,750	24,200

\*Subject to AGM and regulatory approval  
\*\*Remuneration is paid to the entity(shareholder) represented by these board members.

KIA – Kuwait Investment Authority  
SIO – Social Insurance Organization  
KIC – Kuwait Investment Company

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>242,194</b>	<b>21,755</b>	<b>-</b>	<b>263,949</b>

Strategic Outlook

The Company continues to scout the Kingdom and the larger GCC region for potential opportunities within the hotel and tourism sector, and in doing so, continues to work closely with the regulatory authorities and other local and international organizations to identify and further develop sound growth opportunities in pursuit of achieving the board’s approved strategy. Needless to say, we continue to focus on improving our services and facilities to meet our guest and customer expectations, which would create value for our shareholders through increase of expected revenues.

Board of Directors’ Report (continued)

For the year ended 31 December 2022 Bahraini Dinars

Recommendations to the Shareholders

The Board of Directors, having discussed the audited Financial Statements for the year 2022, hereby submits the following recommendations for endorsement by the Ordinary General Assembly:

- 1) to approve BD 50,000/- for the support of National Institutions and Charity Accounts, already charged as an expense in the Income Statement.
- 2) to approve BD 210,000/- 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 286,878/-.
- 4) to transfer the balance of the Profit of BD 2,581,906/- to the Retained Earnings Account.
- 5) to declare and distribute a cash dividend of 12 fils per share, resulting in a total dividend distribution of BD 1.45 million excluding treasury shares.

Note of Thanks

Finally, we would like to express personally and on behalf of the Board of Directors and 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 efforts in driving the economic growth and further prosperity for the Kingdom of Bahrain.

We would also like to thank all the officials at the Government Ministries and Organizations, and in particular the Ministry of Industry & Commerce and the Central Bank of Bahrain, for their guidance and support. A special thanks goes to the Ministry of Tourism and the Bahrain Tourism & Exhibition Authority, for their efforts to enhance the tourism sector and for being instrumental in guiding the Company on its path of growth.

All of the success achieved couldn’t have materialized without the support and understanding of our esteemed guests and customers. We thank them 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 over the many years. 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.

With the Grace of God,

Faisal Ahmed Al Zayani  
Chairman

Adel Nahabah Hamadeh  
Vice Chairman and Managing Director





**Independent Auditors' Report**

31 December 2022

*A glimpse of the hotel's luxurious lobby area during the 1980's.*



Independent auditors’ report to the shareholders

National Hotels Company BSC  
Diplomatic Area - Kingdom of Bahrain

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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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
We focused on this area because: <ul style="list-style-type: none"><li>of the significance of property, plant and equipment and investment property (representing 75% of total assets); and</li><li>Assessment of indicators of impairment and estimation of recoverable amount by the Company involves judgement and estimation uncertainty.</li></ul>	Our audit procedures included: <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 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 Standards, 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’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 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

- 1) As required by the Commercial Companies Law, we report that:
  - a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
  - b) the financial information contained in the board of directors’ report is consistent with the financial statements;
  - c) 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
  - d) 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 and Commerce 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**

KPMG Fakhro  
Partner Registration Number 83  
16 February 2023



A memorable event at the Diplomat Hotel pool and entertainment area during the 1990's.





## Financial Statements

31 December 2022

*The Diplomat Hotel's banquet hall has always served the Kingdom's important events and weddings.*



## Consolidated statement of financial position

as at 31 December 2022

	Notes	31 December 2022	31 December 2021
		BD	BD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	33,287,725	28,765,261
Investment property	5	28,541,903	32,541,252
Investment in an associate	6	6,685,897	6,822,279
Investment securities	7	5,269,709	4,609,470
<b>Total non-current assets</b>		<b>73,785,234</b>	<b>72,738,262</b>
<b>Current assets</b>			
Inventories	8	84,211	91,987
Investment securities	7	1,072,911	74,666
Trade receivables and other assets	9	679,801	434,372
Bank deposits	10	5,000,000	3,300,000
Cash and cash equivalents	10	1,948,604	2,340,595
<b>Total current assets</b>		<b>8,785,527</b>	<b>6,241,620</b>
<b>Total assets</b>		<b>82,570,761</b>	<b>78,979,882</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	13	242,152	221,461
<b>Total non-current liabilities</b>		<b>242,152</b>	<b>221,461</b>
<b>Current liabilities</b>			
Trade and other payables	14	1,594,151	1,177,094
<b>Total current liabilities</b>		<b>1,594,151</b>	<b>1,177,094</b>
<b>Total liabilities</b>		<b>1,836,303</b>	<b>1,398,555</b>
<b>EQUITY</b>			
Share capital	11	12,127,500	12,127,500
Treasury shares	11	(46,451)	(94,726)
Statutory reserve	12	6,011,069	5,724,191
General reserve	12	1,087,579	1,087,579
Property revaluation reserve	12	14,418,702	13,043,666
Investments fair value reserve		2,000,347	2,008,947
Share of reserves of associate		223,037	188,025
Retained earnings		44,912,675	43,496,145
<b>Total equity</b>		<b>80,734,458</b>	<b>77,581,327</b>
<b>Total liabilities and equity</b>		<b>82,570,761</b>	<b>78,979,882</b>



Faisal Ahmed Al Zayani  
Chairman



Adel Nahabah Hamadeh  
Vice Chairman and Managing Director

The accompanying notes 1 to 24 form an integral part of these financial statements.

## Statement of profit or loss

for the year ended 31 December 2022

	Notes	31 December 2022	31 December 2021
		BD	BD
Revenue from contracts with customers	15	6,857,940	4,968,024
Operating costs	16	(4,246,064)	(3,432,196)
<b>GROSS PROFIT</b>		<b>2,611,876</b>	<b>1,535,828</b>
Share of profit of an associate	6	2,028,606	1,359,707
Dividend income		114,205	99,576
Interest income		277,789	210,809
Change in fair value of investments at fair value through profit or loss	7	(81,752)	10,603
Other income	17	7,872	214,596
Depreciation	4,5	(2,618,960)	(2,556,094)
General and administrative expenses		(593,339)	(332,611)
Loss on write-off of investment property	5	-	(5,424)
Reversal of impairment of property, plant and equipment and investment property	4,5	1,122,487	-
<b>Profit for the year</b>		<b>2,868,784</b>	<b>536,990</b>
<b>Basic and diluted earnings per share (in fils)</b>	11	<b>24</b>	<b>4</b>



Faisal Ahmed Al Zayani  
Chairman



Adel Nahabah Hamadeh  
Vice Chairman and Managing Director



Food and beverage team at an event in the 1990's.

The accompanying notes 1 to 24 form an integral part of these financial statements.



Statement of comprehensive income  
for the year ended 31 December 2022

	Notes	31 December 2022	31 December 2021
		BD	BD
Profit for the year		2,868,784	536,990
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>			
- Equity investments at FVOCI - net change in fair value	7	(8,600)	(17,456)
- Investment in associate's - share of OCI	6	45,106	57,966
- Revaluation of property, plant and equipment	4	1,375,036	-
<b>Other comprehensive income for the year</b>		<b>1,411,542</b>	<b>40,510</b>
<b>Total comprehensive income for the year</b>		<b>4,280,326</b>	<b>577,500</b>



The accompanying notes 1 to 24 form an integral part of these financial statements.

Statement of changes in equity  
for the year ended 31 December 2022

31 December 2022	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 2022	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
Comprehensive income									
- Profit for the year	-	-	-	-	-	-	-	2,868,784	2,868,784
- Other comprehensive income for the year	-	-	-	-	1,375,036	(8,600)	45,106	-	1,411,542
<b>Total comprehensive income for the year</b>	-	-	-	-	1,375,036	(8,600)	45,106	2,868,784	4,280,326
Transfer to statutory reserve	-	-	286,878	-	-	-	-	(286,878)	-
Sale of treasury shares	-	48,275	-	-	-	-	-	35,386	83,661
Adjustment to the associate's reserve	-	-	-	-	-	-	(10,094)	-	(10,094)
Dividends declared for 2021	-	-	-	-	-	-	-	(1,200,762)	(1,200,762)
<b>Balance at 31 December 2022</b>	<b>12,127,500</b>	<b>(46,451)</b>	<b>6,011,069</b>	<b>1,087,579</b>	<b>14,418,702</b>	<b>2,000,347</b>	<b>223,037</b>	<b>44,912,675</b>	<b>80,734,458</b>

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>	<b>12,127,500</b>	<b>(94,726)</b>	<b>5,724,191</b>	<b>1,087,579</b>	<b>13,043,666</b>	<b>2,008,947</b>	<b>188,025</b>	<b>43,496,145</b>	<b>77,581,327</b>

The accompanying notes 1 to 24 form an integral part of these financial statements.



## Statement of cash flows

for the year ended 31 December 2022

	Notes	31 December 2022	31 December 2021
		BD	BD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		2,868,784	536,990
Adjustments for:			
Depreciation	4,5	2,618,960	2,556,094
Loss on disposal / write-off of assets		140	5,424
Reversal of impairment of property, plant and equipment and investment property	4,5	(1,122,487)	-
Share of profit of an associate	6	(2,028,606)	(1,359,707)
Change in fair value on investments at FVTPL	7	81,752	(10,603)
Dividend income		(114,205)	(99,576)
Interest income		(277,789)	(210,809)
Impairment charge / (reversal) on financial assets	9	7,334	(8,399)
Provision for employees' benefits	13	65,308	43,141
<i>Operating profit before working capital changes</i>		<b>2,099,191</b>	1,452,555
<i>Changes in:</i>			
Inventories		7,776	(18,042)
Trade and other receivables		(189,626)	(23,848)
Trade and other payables		508,657	232,808
<i>Cash generated from operating activities</i>		<b>2,425,998</b>	1,643,473
Employees' end of service benefits paid	13	(44,617)	(48,279)
Directors' remuneration paid	18	(53,100)	(40,000)
Charitable contributions paid		(38,500)	(45,000)
<b>Net cash from operating activities</b>		<b>2,289,781</b>	1,510,194
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(433,869)	(459,425)
Purchase of investment property	5	(210,823)	(121,489)
Purchase of investments at FVTPL		(1,133,550)	-
Purchase of investments at amortised cost		(668,839)	(1,967,946)
Disposal of investments at FVTPL	7	53,553	2,000,000
Dividends received from an associate	6	2,200,000	1,400,000
Other dividends received		114,205	99,576
Interest received		230,242	207,757
Bank deposits, net		(1,700,000)	(800,000)
<b>Net cash (used in) / from investing activities</b>		<b>(1,549,081)</b>	358,473
<b>FINANCING ACTIVITIES</b>			
Dividends paid	19	(1,200,762)	(960,610)
Proceeds from sale of treasury shares		68,071	-
<b>Net cash used in financing activities</b>		<b>(1,132,691)</b>	(960,610)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(391,991)</b>	908,057
Cash and cash equivalents at 1 January		2,340,595	1,432,538
<b>Cash and cash equivalents at 31 December</b>	10	<b>1,948,604</b>	2,340,595

The accompanying notes 1 to 24 form an integral part of these financial statements.

## Notes of the financial statements

for the year ended 31 December 2022

Bahraini Dinars

### 1. REPORTING ENTITY

National Hotels Company BSC (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce 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, Residence & Spa (the "Hotel" & "Residence"), which is managed by Radisson Hotel Group (the "Radisson") under a management agreement up to 31 December 2030. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly. The Company operates solely in the Kingdom of Bahrain. The financial statements were approved by the Director on 16 February 2023.

#### *Associate*

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2021: 33.33%).

### 2. BASIS OF PREPARATION

#### a) Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

#### *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.



Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

2. BASIS OF PREPARATION (continued)

d) Use of judgments and estimates (continued)

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 neighbourhood 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 interpretations effective from 1 January 2022

New currently effective requirements: The table below lists the recent changes to the accounting standards that are required to be applied by an entity with an annual reporting period beginning on 1 January 2022.

Effective Date	New standards or amendments
1 January 2022	Annual Improvements to IFRS Standards 2018-2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)

f) New standards and amendments not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however; the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Company are not expected to have a significant impact on the Company's financial statements.

- Classification of liabilities as current or non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Notes of the financial statements (continued)

for the year ended 31 December 2022

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 2022

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 2022

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 (FVOCI), 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 2022

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 2022

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 2022

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.

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 2022

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 2022

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 recognised 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 2022

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4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Improvements to buildings	Furniture and fixtures	Plant, machinery and equipment	Capital work-in-progress	Total
<b>Cost / valuation:</b>							
At 1 January 2022	13,431,869	29,403,711	6,593,303	3,926,325	2,624,058	70,579	56,049,845
Additions	-	-	81,619	894	30,617	320,739	433,869
Transfers from CWIP	-	-	88,691	114,756	4,700	(208,147)	-
Transfer from investment property	4,071,043	-	-	-	-	-	4,071,043
Revaluation	1,375,036	-	-	-	-	-	1,375,036
Reversal of impairment	-	278,550	125,560	58,517	9,195	-	471,822
Disposals	-	-	-	-	(12,974)	-	(12,974)
<b>At 31 December 2022</b>	<b>18,877,948</b>	<b>29,682,261</b>	<b>6,889,173</b>	<b>4,100,492</b>	<b>2,655,596</b>	<b>183,171</b>	<b>62,388,641</b>
<b>Accumulated depreciation:</b>							
At 1 January 2022	-	20,443,984	2,316,043	2,525,492	1,999,065	-	27,284,584
Charge for the year	-	772,122	462,568	420,233	174,243	-	1,829,166
Disposals	-	-	-	-	(12,834)	-	(12,834)
<b>At 31 December 2022</b>	<b>-</b>	<b>21,216,106</b>	<b>2,778,611</b>	<b>2,945,725</b>	<b>2,160,474</b>	<b>-</b>	<b>29,100,916</b>
<b>Net carrying amounts:</b>							
<b>At 31 December 2022</b>	<b>18,877,948</b>	<b>8,466,155</b>	<b>4,110,562</b>	<b>1,154,767</b>	<b>495,122</b>	<b>183,171</b>	<b>33,287,725</b>

During the year, the Company has decided to utilize part of the unutilised land currently classified under investment property for carpark and other operating purpose, and has commenced developing plans and concepts for the same. As a result, the carrying value of this portion of land has been transferred from investment property to property, plant and equipment.

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 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 2022 were 7.5% and 2.5% respectively. During the year, the Company had a reversal of impairment of BD 471,822 and revaluation gain of BD 1,375,036 (2021: Nil). 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 564,000 and BD 497,000 (2021: BD 110,653 and BD 626,049) respectively.



## Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

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

	Freehold land	Buildings	Improvements to buildings	Furniture and fixtures	Plant and machinery	Capital work-in- progress	Total
Cost / valuation:							
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 from CWIP	-	-	206,042	117	33,314	(239,473)	-
At 31 December 2021	13,431,869	29,403,711	6,593,303	3,926,325	2,624,058	70,579	56,049,845
Accumulated depreciation:							
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
At 31 December 2021	-	20,443,984	2,316,043	2,525,492	1,999,065	-	27,284,584
Net carrying amounts:							
At 31 December 2021	13,431,869	8,959,727	4,277,260	1,400,833	624,993	70,579	28,765,261

## 5. INVESTMENT PROPERTY

	Freehold land	Building	Improvements to buildings	Furniture and fixtures	Plant, machinery and equipment	Capital work-in- progress	Total
<b>Cost:</b>							
At 1 January 2022	15,864,741	21,122,853	112,974	79,442	3,375,465	-	40,555,475
Additions	-	-	859	-	10,658	199,306	210,823
Transfer to property, plant and equipment (note 4)	(4,071,043)	-	-	-	-	-	(4,071,043)
Reversal of impairment	311,058	314,972	377	177	24,081	-	650,665
<b>At 31 December 2022</b>	<b>12,104,756</b>	<b>21,437,825</b>	<b>114,210</b>	<b>79,619</b>	<b>3,410,204</b>	<b>199,306</b>	<b>37,345,920</b>
<b>Accumulated depreciation:</b>							
At 1 January 2022	-	5,641,529	82,697	14,278	2,275,719	-	8,014,223
Charge for the year	-	598,826	10,242	11,453	169,273	-	789,794
<b>At 31 December 2022</b>	<b>-</b>	<b>6,240,355</b>	<b>92,939</b>	<b>25,731</b>	<b>2,444,992</b>	<b>-</b>	<b>8,804,017</b>
<b>Net carrying amounts:</b>							
<b>At 31 December 2022</b>	<b>12,104,756</b>	<b>15,197,470</b>	<b>21,271</b>	<b>53,888</b>	<b>965,212</b>	<b>199,306</b>	<b>28,541,903</b>

## Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

## 5. INVESTMENT PROPERTY (continued)

	Freehold land	Buildings	Improvements to buildings	Furniture and fixtures	Plant and machinery	Capital work-in- progress	Total
Cost:							
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)
At 31 December 2021	15,864,741	21,122,853	112,974	79,442	3,375,465	-	40,555,475
Accumulated depreciation:							
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)
At 31 December 2021	-	5,641,529	82,697	14,278	2,275,719	-	8,014,223
Net carrying amounts:							
At 31 December 2021	15,864,741	15,481,324	30,277	65,164	1,099,746	-	32,541,252

The investment property was valued by an independent valuer and total fair value amounted to BD 28,796,292 as at reporting date (2021: BD 32,759,674). The fair value measurement was based on income capitalisation approach and accordingly has been categorised as level 3 in the fair value hierarchy. Significant assumptions have been used to arrive at the stated fair value includes capitalisation and occupancy rates of the property. During the year, the Company had a reversal of impairment of BD 650,665 (2021: Nil). The application of the approach is consistent with the prior period. The Company has no restrictions on the realizability 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 capitalization rate by 0.5% and a reduction in income by 5% would have impacted the valuation by BD 2,005,104 and BD 1,439,815 (2021: BD 3,712,763 and BD 1,637,984) respectively.



## Notes of the financial statements (continued)

for the year ended 31 December 2022

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**6. INVESTMENT IN AN ASSOCIATE**

The Company has a 33.33% (2021: 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:

	2022	2021
At 1 January	6,822,279	6,804,606
Share of profit for the year	2,028,606	1,359,707
Share in associate's other comprehensive income	45,106	57,966
Adjustment to the associate's reserve	(10,094)	-
Dividends received during the year	(2,200,000)	(1,400,000)
<b>At 31 December</b>	<b>6,685,897</b>	<b>6,822,279</b>

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

	2022	2021
Current assets	8,274,034	7,697,134
Non-current assets	13,643,053	14,580,067
Current liabilities	(1,936,832)	(1,876,120)
Non-current liabilities	(678,543)	(690,224)
Equity	19,301,712	19,710,857
Proportion of the Company's ownership	33.33%	33.33%
Share of the associate's net assets	6,433,904	6,570,286
Goodwill included within investment in the associate	251,993	251,993
<b>Carrying amount of interest in associate</b>	<b>6,685,897</b>	<b>6,822,279</b>

	2022	2021
Profit for the year	6,085,818	4,079,122
Other comprehensive income for the year	135,317	173,898
<b>Total comprehensive income for the year</b>	<b>6,221,135</b>	<b>4,253,020</b>
Company's share of profit for the year	2,028,606	1,359,707
Company's share of other comprehensive income for the year	45,106	57,966
<b>Company's share of total comprehensive income for the year</b>	<b>2,073,712</b>	<b>1,417,673</b>

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 4,050 (2021: BD 6,727).

## Notes of the financial statements (continued)

for the year ended 31 December 2022

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**7. INVESTMENT SECURITIES**

	2022	2021
Equity investments at FVOCI	2,632,924	2,641,524
Debt investment at amortised cost	2,636,785	1,967,946
	<b>5,269,709</b>	<b>4,609,470</b>
Equity investments at FVTPL	1,072,911	74,666
	<b>6,342,620</b>	<b>4,684,136</b>

**a) Equity Investments at FVOCI**

	2022	2021
Quoted equity investments	2,270,227	2,285,567
Unquoted equity investments	362,697	355,957
	<b>2,632,924</b>	<b>2,641,524</b>

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

	2022	2021
At 1 January	2,641,524	2,658,980
Change in fair value during the year	(8,600)	(17,456)
<b>At 31 December</b>	<b>2,632,924</b>	<b>2,641,524</b>

**b) Debt investment at amortised cost**

	2022	2021
Quoted debt securities	2,636,785	1,967,946
	<b>2,636,785</b>	<b>1,967,946</b>

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
Government Development Bonds	BD 700,000	17 March 2025	4.2% semi-annual basis



## Notes of the financial statements (continued)

for the year ended 31 December 2022

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### 7. INVESTMENTS SECURITIES (continued)

#### c) Equity investments at FVTPL

	2022	2021
Quoted equity investments	1,072,911	74,666
	1,072,911	74,666

Quoted equity investments of BD 1,055,116 are managed by external fund manager (refer note 18).

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

	2022	2021
At 1 January	74,666	2,064,063
Additions during the year	1,133,550	-
Disposal during the year	(53,553)	(2,000,000)
Change in fair value during the year	(81,752)	10,603
<b>At 31 December</b>	<b>1,072,911</b>	<b>74,666</b>

### 8. INVENTORIES

	2022	2021
Food and beverages	58,449	66,200
General stores	25,762	25,787
	84,211	91,987

Inventories recognised as expenditure in gross operating costs during the year amounted to BD 719,570 (2021: BD 371,786).

## Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

### 9. TRADE RECEIVABLES AND OTHER ASSETS

	2022	2021
Trade receivables		
- third parties	433,845	294,578
- related parties (note 18)	1,315	1,041
Less: Provision for expected credit loss	(51,836)	(44,502)
	383,324	251,117
Accrued receivables	88,073	47,049
Prepaid expenses		
- third parties	183,413	107,879
- related parties (note 18)	815	1,102
Advances to suppliers and contractors	5,773	2,565
Other receivables	18,403	24,660
	679,801	434,372

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:

	2022	2021
At 1 January	44,502	52,901
Charge / (reversal) during the year	7,334	(8,399)
At 31 December	51,836	44,502

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

	2022	2021
Cash on hand	8,082	6,613
Bank balances	1,940,522	2,333,982
	1,948,604	2,340,595

Bank deposits of BD 5,000,000 (2021: BD 3,300,000) have an original maturity date of more than three months. The average interest rate on carried by these deposits for the year was 3.5% (2021: 2.6%).

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 2022

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### 11. SHARE CAPITAL

	2022	2021
<b>Authorised:</b>		
150,000,000 (2021: 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 (2021: 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:

	2022	2021
Profit for the year	2,868,784	536,990
Weighted average number of equity shares	120,292,954	120,092,219
Basic earnings per share in fils	24	4

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 S.A.K	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	3,844	9.25
1% to less than 5%	5,837,839	3	4.82
5% to less than 10%	-	-	-
10% to less than 50%	104,216,685	3	85.93
50% and above	-	-	-
	121,275,000	3,850	100.00

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

44.42% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 55.58% by other nationalities. Total shares held by the directors at 31 December 2022 were 0.20% (2021: 0.20%).

## Notes of the financial statements (continued)

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Bahraini Dinars

### 11. SHARE CAPITAL (continued)

#### Treasury shares

Treasury shares represent the purchase by the Company of its own shares. As reporting date, the Company had 580,000 shares (2021: 1,182,781 shares) with acquisition cost of BD 55,261 (2021: BD 94,726). During the year, the Company did not purchase any shares (2021: nil). The market value as at reporting date was BD 82,360 (2021: BD 156,127). These shares represent 0.48% (2021: 0.98%) of the total outstanding shares as at reporting date.

### 12. OTHER RESERVES

#### a) Statutory reserve

As required by the 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 Commercial Companies Law. During the year, the Company transferred BD 286,878 to statutory reserve (2021: BD 53,699). As of 31 December 2022, statutory reserve amounted to BD 6,011,069 (2021: BD 5,724,191).

#### 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. As of 31 December 2022, general reserve amounted to BD 1,087,579 (2021: BD 1,087,579).

#### c) Revaluation reserve

The revaluation reserve relates to the fair valuation of freehold land classified as property, plant and equipment, owned by the Company. As of reporting date, revaluation reserve amounted to BD 14,418,702 (2021: BD 13,043,666).

### 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:

	2022	2021
As at 1 January	221,461	226,599
Provided during the year	65,308	43,141
Benefits paid during the year	(44,617)	(48,279)
As at 31 December	242,152	221,461

### 14. TRADE AND OTHER PAYABLES

	2022	2021
Accrued expenses	552,128	487,307
Trade payables	511,812	394,468
Amounts due to related parties (note 18)	291,225	136,718
Advances from customers	84,219	55,002
Provision for charitable contributions	55,000	45,000
Contract liability	60,204	40,570
Other payables	39,563	18,029
	1,594,151	1,177,094



## Notes of the financial statements (continued)

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## 15. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022	2021
Hotel services revenue	5,663,111	3,828,303
Commercial offices rental revenue	1,194,829	1,139,721
	6,857,940	4,968,024

Hotel services revenue as follows:

	2022	2021
Hotel rooms	2,165,833	1,302,818
Serviced apartments	1,410,995	1,337,981
Food and beverages	1,841,867	984,837
Others	244,416	202,667
	5,663,111	3,828,303

## 16. OPERATING COSTS

	2022	2021
Food and beverages	1,231,497	809,900
Room related expenses	494,243	363,573
Serviced apartments related expenses	478,446	460,169
Expenses related to office towers	272,404	258,520
Administration and IT	728,668	568,143
Selling and marketing	307,475	241,341
Spa	54,588	39,267
Recreation	28,731	29,375
Laundry	17,279	19,229
Other operating costs	632,733	642,679
	4,246,064	3,432,196

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

	2022	2021
Payroll and related expenses	1,706,887	1,414,497
Consumption of inventories	719,570	371,786
Utilities, insurance and taxes	645,450	634,859
Overhead expenses	274,985	282,919
Commission expenses	233,053	188,461
Repairs and maintenance	217,789	168,451
Sales and marketing	132,937	89,064
Management fees (note 18)	120,328	86,748
Others	195,065	195,411
	4,246,064	3,432,196

## Notes of the financial statements (continued)

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## 17. OTHER INCOME

	2022	2021
Government levy subsidy	-	80,613
Miscellaneous income	7,872	133,983
	7,872	214,596

## 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:

2022	Share of profit	Purchases	Management fees	Other expenses	Revenues
Shareholder	-	-	-	-	612,744
Associate	2,028,606	81,374	-	-	8,717
Management company (Radisson)	-	-	120,328	47,803	-
Directors	-	-	-	292,419	3,869
	2,028,606	81,374	120,328	340,222	625,330

2021	Share of profit	Purchases	Management fees	Other expenses	Revenues
Shareholder	-	-	-	-	612,744
Associate	1,359,707	63,414	-	-	700
Management company (Radisson)	-	-	86,748	44,227	-
Directors	-	-	-	120,800	1,501
	1,359,707	63,414	86,748	165,027	614,945

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

	2022	2021
<b>Assets</b>		
<i>Trade receivable and other assets</i>		
- Associate	815	818
- Management Company (Radisson)	-	284
- Directors	1,315	1,041
<i>Investments at FVTPL</i>		
- Investment managed by Shareholder	1,055,116	-



Notes of the financial statements (continued)

for the year ended 31 December 2022

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18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2022	2021
<b>Liabilities</b>		
<i>Trade and other payables</i>		
- Associate	15,323	6,983
- Management Company (Radisson)	105,902	76,635
- Directors	210,000	53,100

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 2022 amounted to BD 210,000 (2021: BD 53,100) which only includes the basic fees. Further, the directors’ remuneration related to year ended 31 December 2021 paid during the year amounted to BD 53,100 (2021: BD 40,000 related to year ended 31 December 2020).

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:

	2022	2021
Short-term benefits	224,194	168,409
Post-employment benefits	10,094	3,724
	234,288	172,133

19. PROPOSED APPROPRIATIONS

	2022	2021
<b>Proposed appropriations:</b>		
Cash dividend	1,448,340	1,200,922

Proposed appropriation of the 2022 results are subject to approval by shareholders at the Annual General Meeting. During the annual general meeting held on 31 March 2022 the shareholders approved a dividend of BD 1,200,922 for the year 2021.

Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

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 maximizing 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.

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 bank deposits. 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:

2022	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	216,695	124,569	33,938	8,377	51,581	435,160
ECL	(2,820)	(7,000)	(4,827)	(2,316)	(34,873)	(51,836)
Net trade receivables	213,875	117,569	29,111	6,061	16,708	383,324
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

The Company provides its services to a large number of customers. Its largest five customers account for 48% of outstanding trade receivables at 31 December 2022 (2021: 46%).



Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

	2022	2021
Trade receivables - net	383,324	251,117
Other receivables	10,785	16,042
Cash and cash equivalents	1,940,522	2,333,982
Bank deposits	5,000,000	3,300,000
	7,334,631	5,901,141

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 2022, the Company has BD 5,791,742 (2021: BD 5,200,828) of resources comprising cash and cash equivalents of BD 1,948,604 (2021: BD 2,340,595) and, other highly liquid assets (listed shares) of BD 3,343,138 (2021: BD 2,360,233) and unused credit line available of BD 500,000 (2021: 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.

	2022			2021		
	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%	40,410	-	+5%	97,251	-
	-5%	(40,410)	-	-5%	(97,251)	-
Equity investments at FVTPL	+5%	-	53,173	+5%	-	4,127
	-5%	-	(53,173)	-5%	-	(4,127)

The Company also has unquoted investments carried at net asset value 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.

Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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.

2022	Level 1	Level 2	Level 3	Total
Investments at FVOCI	2,270,227	-	362,697	2,632,924
Investments at FVTPL	17,795	1,055,116	-	1,072,911
	2,288,022	1,055,116	362,697	3,705,835
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

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:

	2022	2021
At 1 January	355,957	2,351,939
Disposal during the year	-	(2,000,000)
Net change in fair value:		
- in other comprehensive income	6,740	4,018
At 31 December	362,697	355,957

Financial assets and liabilities not measured at fair value

The fair value of other financial assets not measured at fair value approximated their respective book values due to their short-term nature.

The fair value of other financial liabilities are 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 income 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 2022

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 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	
	2022	2021	2022	2021	2022	2021	2022	2021
Hotel services revenue	5,663,111	3,828,303	-	-	-	-	5,663,111	3,828,303
Commercial offices rental revenue	-	-	1,194,829	1,139,721	-	-	1,194,829	1,139,721
Gross operating costs	(3,973,660)	(3,173,676)	(272,404)	(258,520)	-	-	(4,246,064)	(3,432,196)
Gross operating profit	1,689,451	654,627	922,425	881,201	-	-	2,611,876	1,535,828
Investment income - net*	-	-	-	-	2,338,848	1,680,695	2,338,848	1,680,695
Other income	-	80,613	-	-	7,872	133,983	7,872	214,596
Depreciation	(1,829,166)	(1,795,709)	(789,794)	(760,385)	-	-	(2,618,960)	(2,556,094)
Reversal of impairment	471,822	-	650,665	-	-	-	1,122,487	-
General and administrative expenses	-	-	-	-	(593,339)	(332,611)	(593,339)	(332,611)
Loss on write-off of property, plant and equipment	-	-	-	(5,424)	-	-	-	(5,424)
Profit / (loss) for the year	332,107	(1,060,469)	783,296	115,392	1,753,381	1,482,067	2,868,784	536,990

\* Including share of profit of associate, dividend income, interest income and change in fair value of investments at fair value through profit or loss.

31 December	Hotel business		Office towers		Investments and corporate		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Total assets	33,786,897	29,144,839	28,691,824	32,660,211	20,092,040	17,174,832	82,570,761	78,979,882
Total liabilities	1,509,927	1,304,459	41,323	35,755	285,053	58,341	1,836,303	1,398,555

Notes of the financial statements (continued)

for the year ended 31 December 2022

Bahraini Dinars

23. COMMITMENTS AND CONTINGENCIES

The Company have BD 86,164 capital expenditure commitment for the year related to the refurbishment of the hotel and other related capital expenditures (2021: Nil).

The Company has an outstanding guarantee of BD 4,050 as at reporting date (2021: BD 4,050).

24. 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.



F&B has always been a core component of the hotel's offerings. The setup at Al-Fanar in the 1980's.





*A classic image reflecting the luxury hospitality at one of the executive suites in the 80's.*

## Corporate Governance Report

31 December 2022



Corporate Governance Report  
for the year ended 31 December 2022

1- Actions taken to complete the Corporate Governance Code

The Corporate Governance Code issued by the Ministry of Industry and Commerce 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 to 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 2022.

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	Faisal Ahmed Al Zayani	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 2022

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	Adel Nuhaba Hamada	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	AbdulAziz Abdullah Alisa	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	Meshari Zaid Al Khalid	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	Faisal Yousif Al Meshari	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 2022

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>Associate Director 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. The board comprises of 8 members. Seven members are male (87.50%),and one is a female (12.50%).

C. Description of the following:

- The directors’ remuneration for the past year (2021) was BD 53,100.
- The total directors’ remuneration proposed for the current year (2022) is BD 210,000, which will be presented at the Annual General Meeting for approval.

Corporate Governance Report (continued)

for the year ended 31 December 2022

3- Composition of the Board (continued)

C. Description of the following (continued):

- The following is a list of the committee attendance fees of the respective directors for the financial year 2022:

No.	Name	Attendance allowances for committees of the Board		
		Name of Committee	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 /-	5
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

D. 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 2022, the Board of Directors of the Company held five meetings to follow up on its activities and to direct the Executive Management. 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	1/2/2022	24/2/2022	8	-
2	14/4/2022	12/5/2022	8	-
3	29/6/2022	21/7/2022	7	1
4	29/9/2022	20/10/2022	7	1
5	27/11/2022	15/12/2022	8	-

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

There were no Board of Directors specific tasks of 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

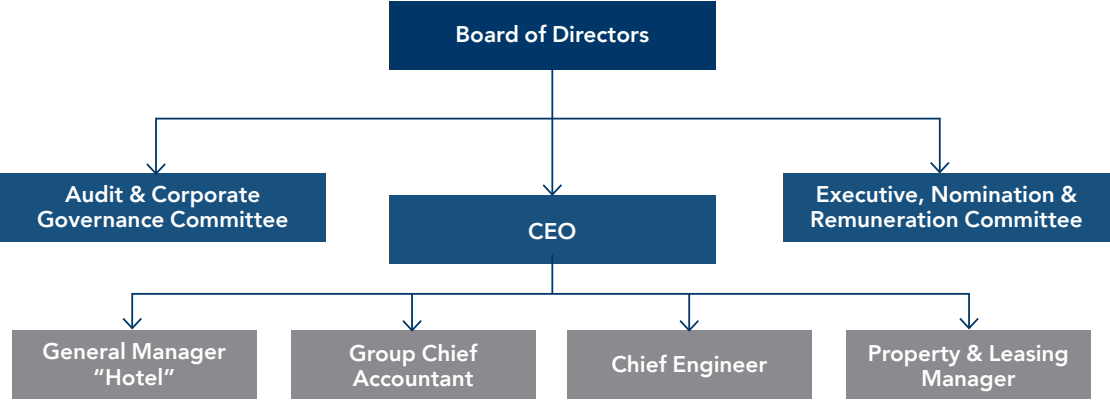
3- Composition of the Board (continued)

**F. 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	Other expenses	Revenue and other income
Bahraini Dinar				
Shareholder	-	-	-	612,744
Associate company	81,374	-	-	8,717
Management Company (Rezidor)	-	120,328	47,803	-
Directors	-	-	292,419	3,869
Total	81,374	120,328	340,222	625,330

G. Organisational structure highlighting the Company's first and second tier of the executive management



**H.** Total remunerations paid to the executive management during the financial year (2022) amounted to 263,949/- Bahraini Dinars.

4- External Auditor

Upon a recommendation from the Board of Directors, the Ordinary General Assembly at its meeting held on 31/3/2022 appointed Ms. "KPMG" as the external auditor of the Company for the financial year ended 31/12/2022, at an agreed fee of BD 15,000, 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 2022 to the Board of Directors, which will be presented at the Ordinary General Assembly to be held on 19/3/2023.

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	3 years
The partner in charge of the company's audit	Mr. Jaafar Al Qubaiti
Total audit fees for the financial statements for the year 2022 (BD)	15,000/- BD
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2022 if any. In the absence of such fees, this shall be expressly stated.	2,000/- 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				
				23/2/2022	11/5/2022	20/7/2022	19/10/2022	14/12/2022
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 2022.

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 2022

7- Corporate Governance Officer (continued)

Mr. Al Ajjawi holds a Certificate in Corporate Governance from The Wharton School, University of Pennsylvania. He also 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 2022.

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 38,500/- in 2022. 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 2022:

No.	Shareholder classification	Shareholding %			
		Individuals	Corporate	Government or Organisations	Total
1	Local	12.24%	1.78%	32.15%	46.17%
2	Arab	-	0.05%	53.78%	53.83%
3	Foreign	-	-	-	-
Total		12. 24 %	1.83%	85.93%	100%

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 2022:

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 2022:

No.	Distribution of ownership Stock	Number of shareholders	Number of shares owned	Percentage of shares owned by the capital
1	>50,000	3,813	3,387,374	2.79%
2	50,000 to 500,000	24	3,574,287	2.95%
3	500,000 to 5,000,000	10	10,096,654	8.33%
4	<5,000,000	3	104,216,685	85.93%
Total		3,850	121,275,000	100.00%

D. Significant events that occurred during the year 2022:  
Nil.

Corporate Governance Report (continued)

for the year ended 31 December 2022

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.				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.  During the board meeting held in December 2022, the Board has agreed to resize and restructure the Audit Committee, starting from the second quarter of 2023. The Audit Committee shall consist of three directors, the majority of whom shall be independent.
Principle 3: The Board shall have rigorous controls for financial audit and financial reporting, Internal control and compliance with law.		✓		



Corporate Governance Report (continued)  
for the year ended 31 December 2022

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		✓		<p>Subsection 1 requires that the Nomination Committee should consist of at least three directors and majority of them are independent, including its Chairman.</p> <p>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.</p> <p>During the board meeting held in December 2022, the Board has agreed to establish, starting from the second quarter of 2023, a separate Nomination Committee consisting of three directors, the majority of whom shall be independent.</p>
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 1st Quarter and this report has been published on the Bahrain Bourse website.

Subsequently, the CBB issued a letter dated 9th May 2022 (ref. OG/187/2022) advising companies that it is no longer mandatory to prepare and disclose the Supplementary Disclosure – Financial Impact of COVID-19 report.



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