



*Today is yesterday's
tomorrow*



Annual Report 2023
*National Hotels
Company*

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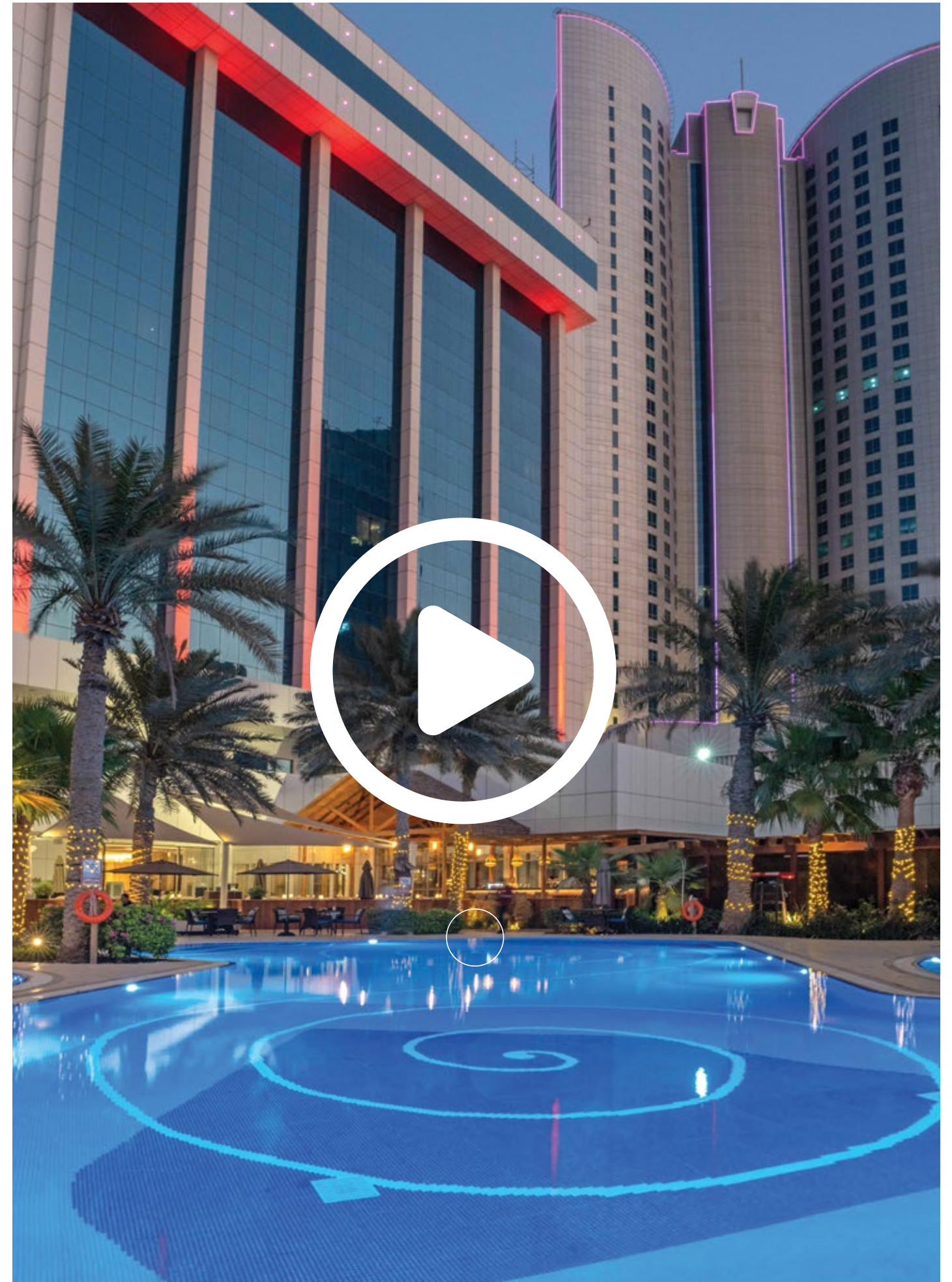
**His Majesty
King Hamad bin Isa
Al Khalifa**
The King of the
Kingdom of Bahrain

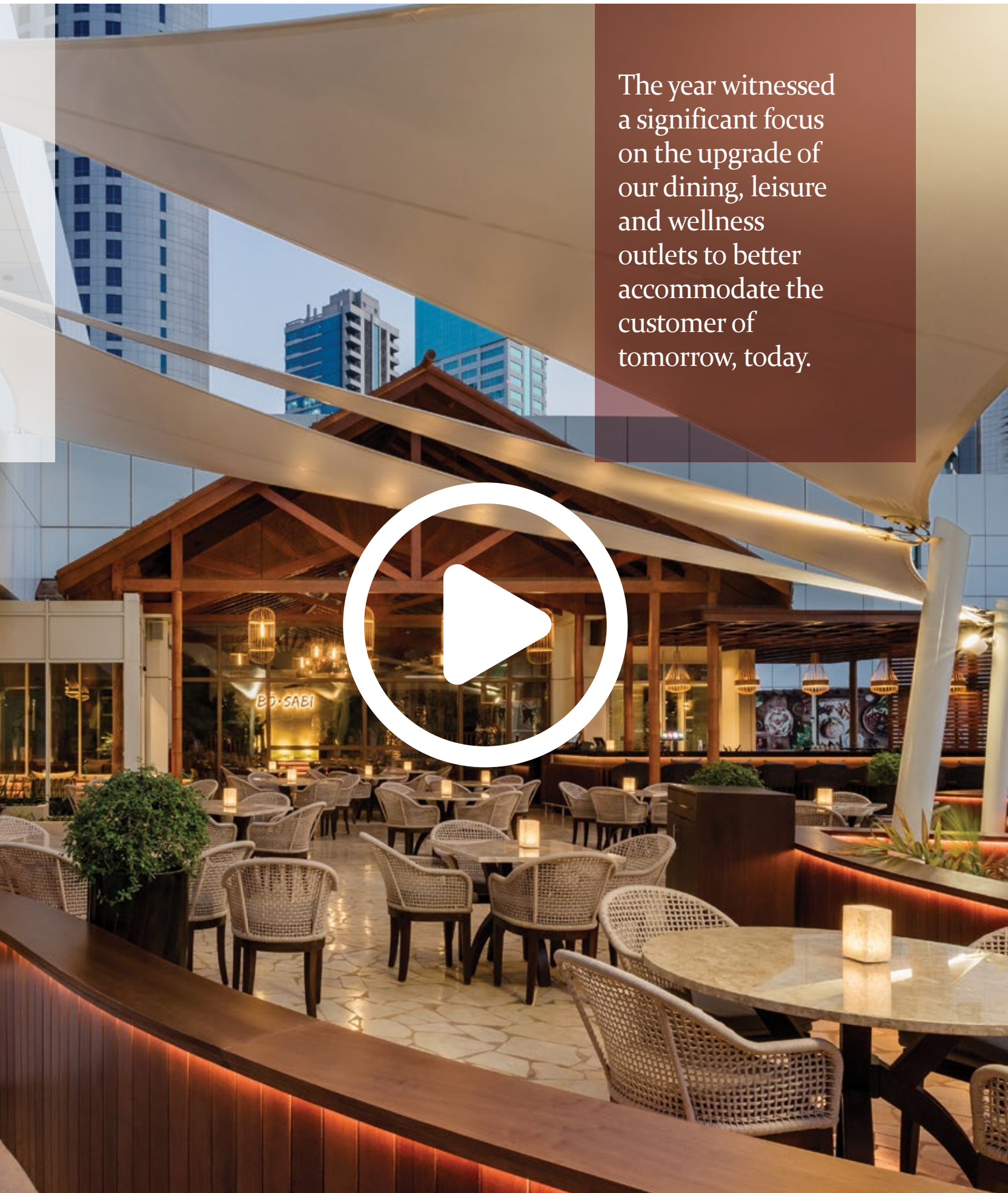


**His Royal Highness
Prince Salman bin Hamad
Al Khalifa**
Crown Prince and Prime
Minister of the Kingdom
of Bahrain



Having celebrated our 40th anniversary, we now take the opportunity to look forwards, to focus on our bright future, because today is yesterday's tomorrow.





The year witnessed a significant focus on the upgrade of our dining, leisure and wellness outlets to better accommodate the customer of tomorrow, today.

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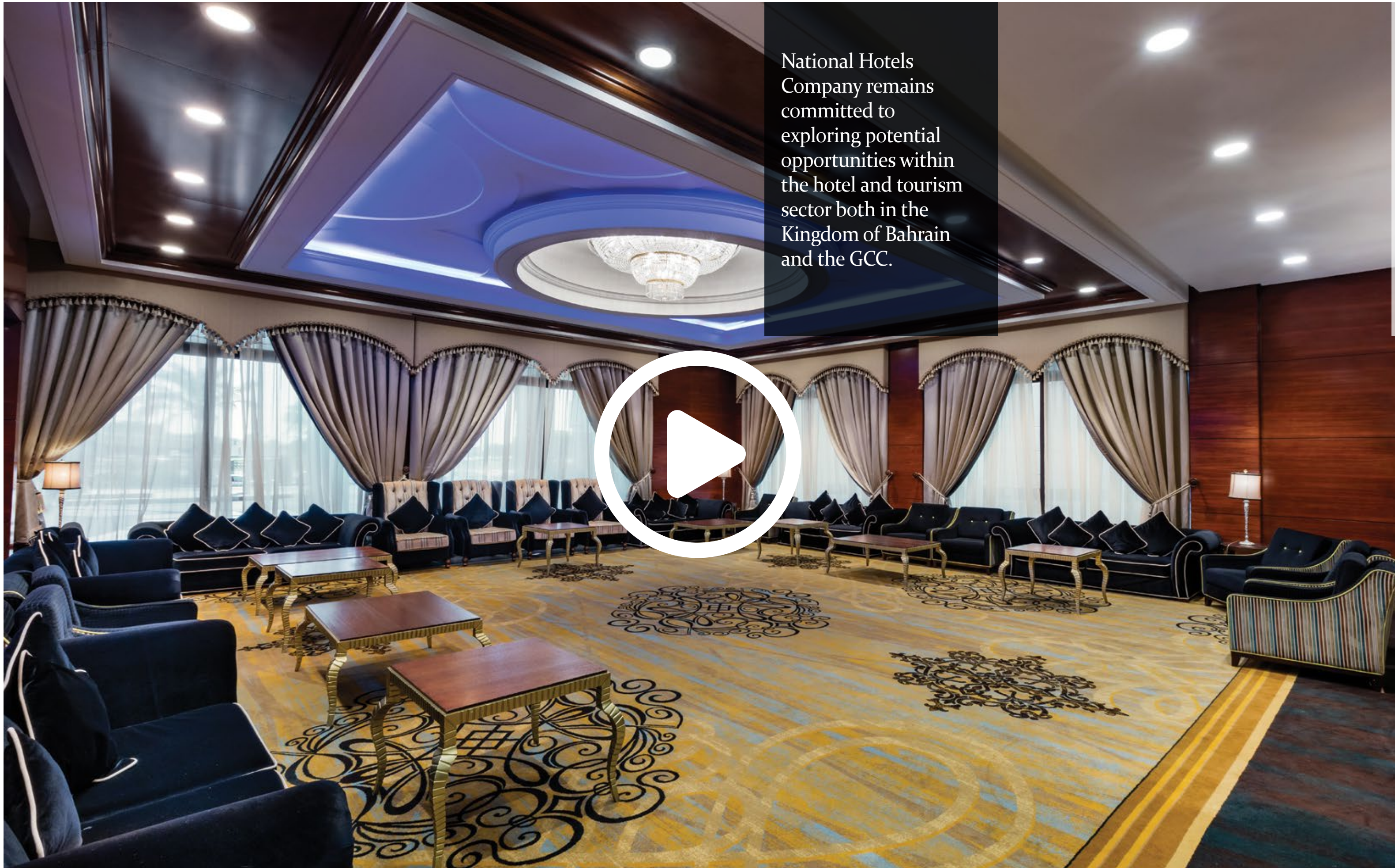
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شركة الفنادق الوطنية
NATIONAL HOTELS COMPANY B.S.C.



nhcbahrain.com



National Hotels Company remains committed to exploring potential opportunities within the hotel and tourism sector both in the Kingdom of Bahrain and the GCC.



During the year, we commenced the refurbishment of the Diplomat Residences. Work is expected to be completed by mid-2024.



Faisal A Al Zayani
Chairman



Adel N Hamadeh
Vice Chairman & Managing Director

Board of Directors and Chief Executive Officer



Abdulrahman A Marshad
Director, Chairman, Audit & Corporate Governance Committee



Abdulaziz A Alisa
Director, Chairman, Executive Committee



Mishari Z Al Khalid
Director



Faisal Y Almeshari
Director



Abdulla M Al-Mahmood
Director



Shehab A Haji
Director



Zaher M Al-Ajjawi
Chief Executive Officer

Board of Directors' Report

Dear Shareholders,

It gives us great pleasure to present to you the Annual Report of your Company for the year ended December 31, 2023.

2023 Overview

The first half of the year reflected a strong pick-up of activities and revenues. This however slowed down gradually over the Summer period during the third quarter of the year. Furthermore, the regional political situation that ignited in the month of October had also contributed to dampening the performance during the fourth quarter. This however did not deter us from striving to enhance the Company's performance and financial results, as we continued to compete on local and inbound tourism and corporate business. And despite the challenges faced, we are pleased to report that the Company has achieved strong results for the year.

Financial Performance

The following are key financial highlights we would like to share with you.

A) Hotel:

- Hotel occupancy averaged at 44% for the year, as compared with 45% in the previous year. The renovation works that commenced at the serviced apartments in June had contributed to this marginal decline.
- The achieved Average Room Rate was BD 58.
- Total revenue for the year amounted to BD 5.7 million.
- The Gross Operating Margin achieved was 26%.

B) Commercial Offices:

- The Diplomat Commercial Offices continued to generate solid returns, contributing to the Company's bottom line. An 11% growth in revenues was delivered during the year, which led to achieving a Gross Operating Margin of 78%.

C) Overall Company Performance:

- The Company's Operating Revenues increased by 3%, reaching BD 7 million as compared to BD 6.9 million in the previous year. Gross Operating Profit Margin remained in line with the previous year.
- Net Profit from operations reached BD 2.1 million.
- The equity attributable to our shareholders amounted to BD 81 million, compared to BD 80.7 million in 2022.
- The Earnings per Share stood at 18 fils.
- The Company continues to enjoy a healthy liquidity and solvency.

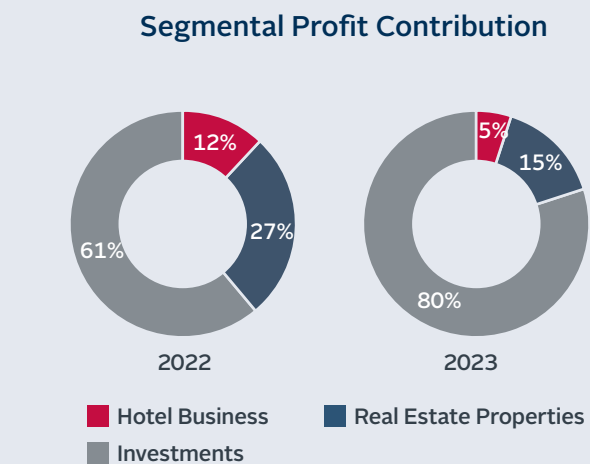
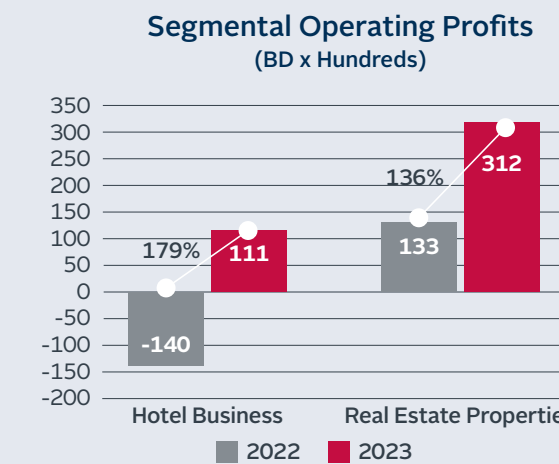
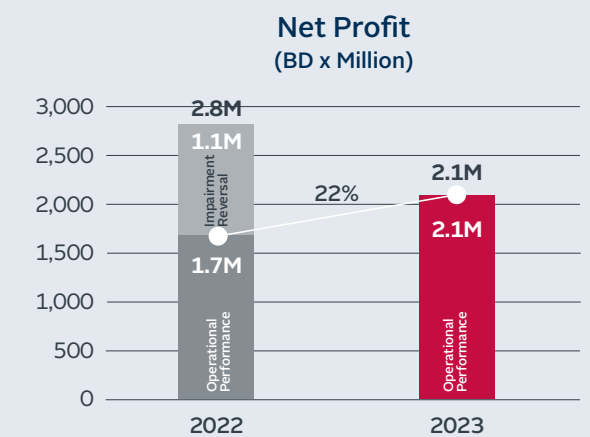
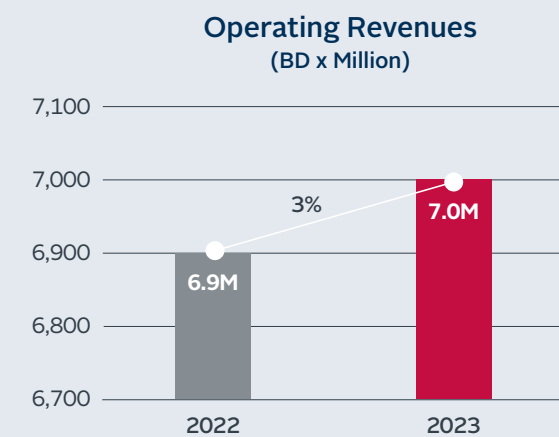
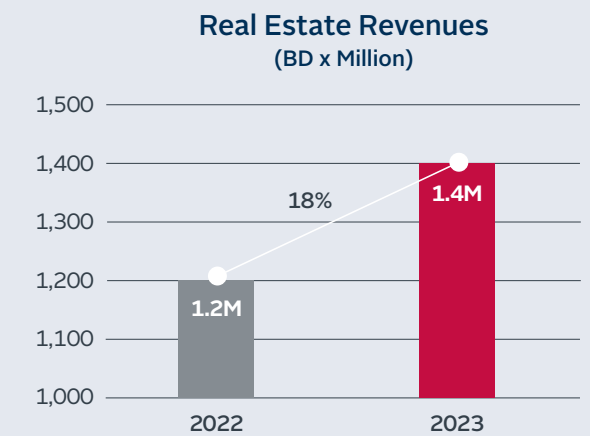
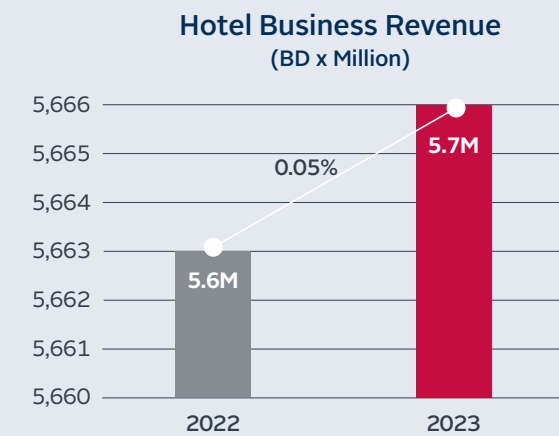
Key activities

We had commenced the phased refurbishment of the Diplomat Residences during the year, which is expected to be completed by mid-2024. This project will offer our guests a new and enhanced luxury experience.

Corporate Governance

The Company continues to prioritize its corporate governance and adheres to the guidelines outlined by the Ministry of Industry and Commerce, as well as the requirements within the CBB Rule Book, and other best practices in the industry. Our commitment to strong corporate governance practices is detailed in the Corporate Governance Report, which is included in the Annual Report.

Financial results at a glance



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

Board of Directors' Report (continued)

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 ¹	Total allowance for attending Board and Committee Meetings	Others	Total	Remunerations of the Chairman and BOD	Incentive Plans				Others	Total
Independent Directors:												
Mr. Faisal Ahmed Al Zayani	-	27,750	9,000	-	36,750	-	-	950	950	-	37,700	-
Mr. Abdulrahman Ali Marshad	-	25,750	9,750	-	35,500	-	-	17,302	17,302	-	52,802	-
Non-Executive Directors:												
Mr. Adel Nahaba Hamadeh ²	KIA	27,750	7,500	-	35,250	-	-	950	950	-	36,200	6,600
Mr. Abdulaziz Abdulla Alisa ²	SIO	25,750	8,250	-	34,000	-	-	950	950	-	34,950	-
Mr. Mishari Zaid Al Khalid	KIC	25,750	9,750	-	35,500	-	-	950	950	-	36,450	6,600
Mr. Faisal Yousef Al-M shari	KIC	25,750	8,250	-	34,000	-	-	950	950	-	34,950	6,600
Ms. Elham Adel Ahmed ^{2&3}	SIO	4,292	1,500	-	5,792	-	-	950	950	-	6,742	-
Mr. Abdulla AlMahmood ^{2&4}	SIO	21,458	6,750	-	28,208	-	-	-	-	-	28,208	-
Mr. Shehab Ahmed Hajj ²	KIA	25,750	8,250	-	34,000	-	-	950	950	-	34,950	6,600
Executive Directors:												
None	-	-	-	-	-	-	-	-	-	-	-	-
Total (Bahraini Dinars)	-	210,000	69,000	-	279,000	-	-	23,952	23,952	-	302,952	26,400

¹Subject to AGM and regulatory approval

²Remuneration is paid to the entity (shareholder) represented by these board members.

³Till 19 March 2023

⁴From 19 March 2023

KIA – Kuwait Investment Authority

SIO – Social Insurance Organization

KIC – Kuwait Investment Company

Executive Management

	Total Paid Salaries and Allowances	Total paid remuneration (Bonus)	Any other cash/in kind remuneration for 2023	Aggregate amount
Top 6 remunerations for executives, including CEO and Senior Financial Officer	243,141	33,477	-	276,618

Strategic Outlook

Looking ahead, the Company remains committed to exploring potential opportunities within the hotel and tourism sector in the Kingdom and the larger GCC region. We will continue to collaborate closely with regulatory authorities and local and international organizations to identify and develop sound growth opportunities aligned with our approved strategy. Our focus will remain on enhancing our services and facilities to meet guest and customer expectations, thereby creating long-term value for our shareholders.

Recommendations to the Shareholders

The Board of Directors, having discussed the audited Financial Statements for the year 2023, hereby submits the following recommendations for endorsement by the Ordinary General Assembly:

- 1) to approve BD 65,000/- 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 net profit transfer to the Statutory Reserve equivalent to BD 52,681/-.
- 4) to transfer the balance of the Profit of BD 2,073,479/- 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 1.46 million.



Faisal Ahmed Al Zayani
Chairman

Manama
22.02.2024

Note of Thanks

Finally, we would like to express our sincere 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 unwavering efforts in driving economic growth and further prosperity for the Kingdom of Bahrain.

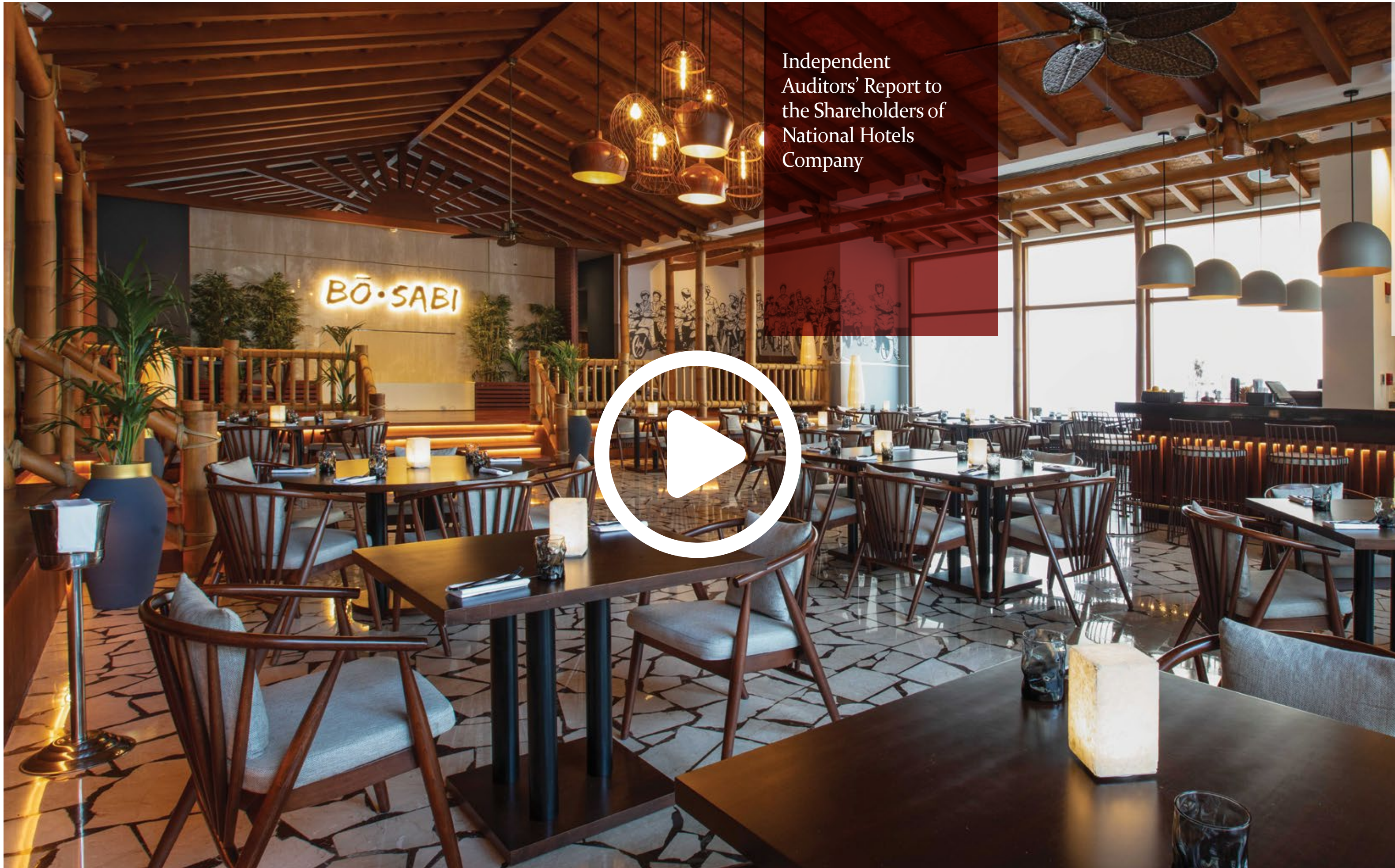
We extend our gratitude to all officials at the Government Ministries and Organizations, particularly the Ministry of Industry & Commerce and the Central Bank of Bahrain, for their guidance and support. We also acknowledge the Ministry of Tourism, the Bahrain Tourism & Exhibition Authority and the Economic Development Board for their contribution to enhancing the tourism sector and for their valuable guidance throughout our growth journey.

We are incredibly grateful to our guests and customers for their continued support, and we acknowledge the invaluable insights and guidance provided by our Board members over the years. We would also like to recognize the dedication and hard work of our employees, led by our Chief Executive Officer, and the Executive Managers and staff members of the Diplomat Radisson Blu Hotel, Residence & Spa, and the Diplomat Commercial Offices.

With the Grace of God



Adel Nahabah Hamadeh
Vice Chairman and Managing Director



Independent
Auditors' Report to
the Shareholders of
National Hotels
Company

Independent Auditors' Report to the Shareholders of National Hotels Company BSC

Opinion

We have audited the financial statements of National Hotels Company BSC (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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
<p>We focused on this area because:</p> <ul style="list-style-type: none"> of the significance of property, plant and equipment and investment property (representing 77% of total assets); and Assessment of indicators of impairment and estimation of recoverable amount by the Company involves judgement and estimation uncertainty. 	<p>Our audit procedures included:</p> <p>Involvement of our own valuation specialists in:</p> <ul style="list-style-type: none"> evaluating the Company's process of identifying possible indicators of impairment of the property, plant and equipment and investment property; <ul style="list-style-type: none"> evaluating the parameters used by the Company to identify indicators of impairment to ensure that these are reasonable; evaluating the appropriateness of the impairment assessment methodology used by the Company; and challenging the reasonableness of key assumptions and input used in estimating the recoverable amount of the property. 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.

Independent Auditors' Report to the Shareholders of National Hotels Company BSC (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 Accounting 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 of National Hotels Company BSC (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.

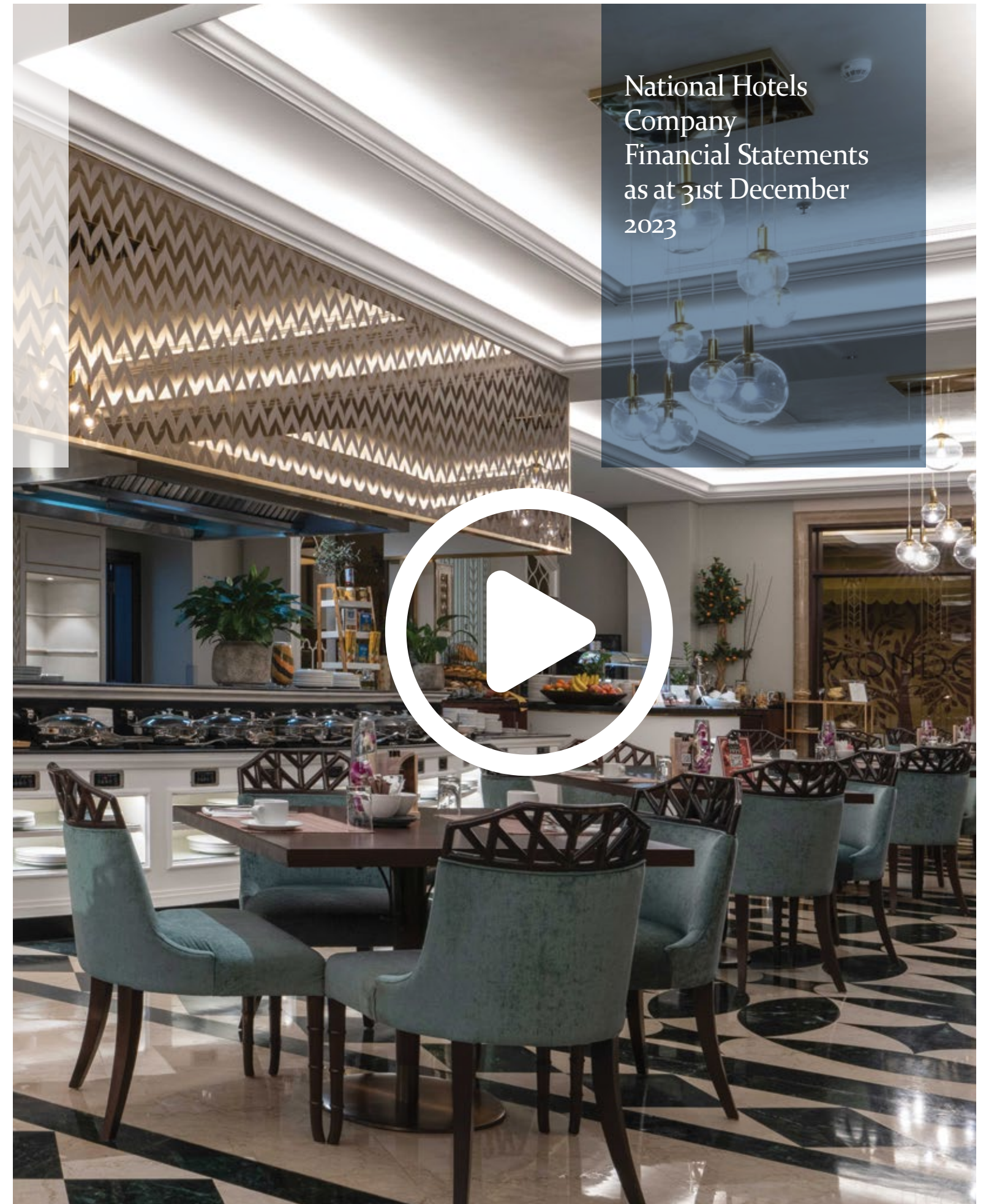
Report on Other Regulatory Requirements

- 1) As required by the Commercial Companies Law 2001 (as amended), 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 2001 (as amended) 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 Harish Gopinath.



KPMG Fakhro
Partner Registration Number 136
22 February 2024



Statement of financial position

As at 31 December 2023

	Note	31 December 2023	31 December 2022
		BD	BD
ASSETS			
Non-current assets			
Property, plant and equipment	4	33,591,757	33,287,725
Investment property	5	29,913,554	28,541,903
Investment in an associate	6	6,525,967	6,685,897
Investment securities	7	4,839,767	5,269,709
Total non-current assets		74,871,045	73,785,234
Current assets			
Inventories	8	74,604	84,211
Investment securities	7	1,118,806	1,072,911
Trade receivables and other assets	10	599,753	679,801
Bank deposits	9	2,300,000	5,000,000
Cash and cash equivalents	9	3,862,115	1,948,604
Total current assets		7,955,278	8,785,527
Total assets		82,826,323	82,570,761
LIABILITIES AND EQUITY			
Non-current liabilities			
Employees' end of service benefits	13	278,775	242,152
Total non-current liabilities		278,775	242,152
Current liabilities			
Trade and other payables	14	1,514,654	1,594,151
Total current liabilities		1,514,654	1,594,151
Total liabilities		1,793,429	1,836,303
EQUITY			
Share capital	11	12,127,500	12,127,500
Treasury shares	11	-	(46,451)
Statutory reserve	12	6,063,750	6,011,069
General reserve	12	1,087,579	1,087,579
Property revaluation reserve	12	14,418,702	14,418,702
Investments fair value reserve		1,583,771	2,000,347
Share of reserves of associate		166,152	223,037
Retained earnings		45,585,440	44,912,675
Total equity		81,032,894	80,734,458
Total liabilities and equity		82,826,323	82,570,761



Faisal Ahmed Al Zayani
Chairman



Adel Nahabah Hamadeh
Vice Chairman and Managing Director

The accompanying notes 1 to 23 form an integral part of these financial statements.


Statement of profit or loss

For the year ended 31 December 2023

	Note	31 December 2023	31 December 2022
		BD	BD
Revenue from contracts with customers	15	7,072,217	6,857,940
Operating costs	16	(4,462,538)	(4,246,064)
GROSS PROFIT		2,609,679	2,611,876
Share of profit of an associate	6	1,796,955	2,028,606
Dividend income		141,241	114,205
Interest income		372,581	277,789
Change in fair value of investments at fair value through profit or loss	7	63,690	(81,752)
Other income		14,043	7,872
Depreciation	4,5	(2,186,308)	(2,618,960)
General and administrative expenses		(685,721)	(593,339)
Reversal of impairment of property, plant and equipment and investment property	4,5	-	1,122,487
Profit for the year		2,126,160	2,868,784
Basic and diluted earnings per share (in fils)	11	18	24



Faisal Ahmed Al Zayani
Chairman



Adel Nahabah Hamadeh
Vice Chairman and Managing Director

The accompanying notes 1 to 23 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2023

	Note	31 December 2023	31 December 2022
		BD	BD
Profit for the year		2,126,160	2,868,784
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
- Equity investments at FVOCI - net change in fair value	7	(416,576)	(8,600)
- Investment in associate's - share of OCI	6	(50,625)	45,106
- Revaluation of property, plant and equipment	4	-	1,375,036
Other comprehensive income for the year		(467,201)	1,411,542
Total comprehensive income for the year		1,658,959	4,280,326



The accompanying notes 1 to 23 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2023

31 December 2023	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 2023	12,127,500	(46,451)	6,011,069	1,087,579	14,418,702	2,000,347	223,037	44,912,675	80,734,458
Comprehensive income									
- Profit for the year	-	-	-	-	-	-	-	2,126,160	2,126,160
- Other comprehensive income for the year	-	-	-	-	-	(416,576)	(50,625)	-	(467,201)
Total comprehensive income for the year	-	-	-	-	-	(416,576)	(50,625)	2,126,160	1,658,959
Transfer to statutory reserve	-	-	52,681	-	-	-	-	(52,681)	-
Sale of treasury shares	-	46,451	-	-	-	-	-	49,697	96,148
Adjustment to the associate's reserve	-	-	-	-	-	-	(6,260)	-	(6,260)
Dividends declared for 2022	-	-	-	-	-	-	-	(1,450,411)	(1,450,411)
Balance at 31 December 2023	12,127,500	-	6,063,750	1,087,579	14,418,702	1,583,771	166,152	45,585,440	81,032,894
31 December 2022									
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
Total comprehensive income for the year	-	-	-	-	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)
Balance at 31 December 2022	12,127,500	(46,451)	6,011,069	1,087,579	14,418,702	2,000,347	223,037	44,912,675	80,734,458

The accompanying notes 1 to 23 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2023

	Note	31 December 2023 BD	31 December 2022 BD
OPERATING ACTIVITIES			
Profit for the year		2,126,160	2,868,784
Adjustments for:			
Depreciation	4,5	2,186,308	2,618,960
Loss on disposal / write-off of assets		19,401	140
Reversal of impairment of property, plant and equipment and investment property	4,5	-	(1,122,487)
Share of profit of an associate	6	(1,796,955)	(2,028,606)
Change in fair value on investments at FVTPL	7	(63,690)	81,752
Dividend income		(141,241)	(114,205)
Interest income		(372,581)	(277,789)
Impairment (reversal) / charge on financial assets	10	(3,400)	7,334
Provision for employees' benefits	13	53,708	65,308
<i>Operating profit before working capital changes</i>		2,007,710	2,099,191
<i>Changes in:</i>			
Inventories		9,607	7,776
Trade and other receivables		80,816	(189,626)
Trade and other payables		193,002	508,657
<i>Cash generated from operating activities</i>		2,291,135	2,425,998
Employees' end of service benefits paid	13	(17,085)	(44,617)
Directors' remuneration paid	17	(210,000)	(53,100)
Charitable contributions paid		(62,500)	(38,500)
Net cash from operating activities		2,001,550	2,289,781
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(1,701,649)	(433,869)
Purchase of investment property	5	(2,179,743)	(210,823)
Purchase of investments at FVTPL		-	(1,133,550)
Purchase of investments at amortised cost		-	(668,839)
Disposal of investments at FVTPL	7	-	53,553
Dividends received from an associate	6	1,900,000	2,200,000
Other dividends received		141,241	114,205
Interest received		406,375	230,242
Bank deposits, net		2,700,000	(1,700,000)
Net cash from / (used in) investing activities		1,266,224	(1,549,081)
FINANCING ACTIVITIES			
Dividends paid	18	(1,450,411)	(1,200,762)
Proceeds from sale of treasury shares		96,148	68,071
Net cash used in financing activities		(1,354,263)	(1,132,691)
Net increase / (decrease) in cash and cash equivalents		1,913,511	(391,991)
Cash and cash equivalents at 1 January		1,948,604	2,340,595
Cash and cash equivalents at 31 December	9	3,862,115	1,948,604

The accompanying notes 1 to 23 form an integral part of these financial statements.



National Hotels
Company
Notes to the Financial
Statements
as at 31st December
2023

Notes of the financial statements

For the year ended 31 December 2023

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 22 February 2024.

Associate

The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2022: 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.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

2. BASIS OF PREPARATION (continued)

d) Use of judgments and estimates (continued)

Fair value measurement of financial instruments

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

Impairment of inventories

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

Revaluation of freehold land

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

Useful lives of property, plant and equipment

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

Impairment of property, plant and equipment and investment property

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

e) Change in material accounting policies

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

2. BASIS OF PREPARATION (continued)

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 2024 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).
- Lease liability in a sale and leaseback – Amendments to IFRS 16.
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7.

3. MATERIAL 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.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

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

(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.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

d) 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).

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

(i) Financial assets (continued)

Classification and subsequent measurement (continued)

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.

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.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

(i) Financial assets (continued)

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.

(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

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

(iii) Impairment of financial assets (continued)

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.

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.

e) 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.

f) 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.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

g) 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.

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.

h) 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.

i) 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.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

i) Revenue (continued)

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.

j) 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.

k) 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.

l) 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.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

3. MATERIAL ACCOUNTING POLICIES (continued)

l) Employees' end of service benefits (continued)

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.

m) 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.

n) 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Improvements to buildings	Furniture and fixtures	Plant, machinery and equipment	Capital work-in-progress	Total
Cost / valuation:							
At 1 January 2023	18,877,948	29,682,261	6,889,173	4,100,492	2,655,596	183,171	62,388,641
Additions	-	-	13,335	78,485	81,578	1,528,251	1,701,649
Transfers from CWIP	-	-	75,271	53,779	53,132	(182,182)	-
Disposals	-	-	-	-	(15,400)	(19,401)	(34,801)
At 31 December 2023	18,877,948	29,682,261	6,977,779	4,232,756	2,774,906	1,509,839	64,055,489
Accumulated depreciation:							
At 1 January 2023	-	21,216,106	2,778,611	2,945,725	2,160,474	-	29,100,916
Charge for the year	-	409,450	456,019	378,949	133,798	-	1,378,216
Disposals	-	-	-	-	(15,400)	-	(15,400)
At 31 December 2023	-	21,625,556	3,234,630	3,324,674	2,278,872	-	30,463,732
Net carrying amounts:							
At 31 December 2023	18,877,948	8,056,705	3,743,149	908,082	496,034	1,509,839	33,591,757

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 2023 were 8.5% and 2.5% respectively. 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 2,292,157 and BD 1,830,463 (2022: BD 564,000 and BD 497,000) respectively.

Notes of the financial statements (continued)

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4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Improvements to buildings	Furniture and fixtures	Plant, machinery and equipment	Capital work-in-progress	Total
Cost / valuation:							
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 (note 5)	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)
At 31 December 2022	18,877,948	29,682,261	6,889,173	4,100,492	2,655,596	183,171	62,388,641
Accumulated depreciation:							
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)
At 31 December 2022	-	21,216,106	2,778,611	2,945,725	2,160,474	-	29,100,916
Net carrying amounts:							
At 31 December 2022	18,877,948	8,466,155	4,110,562	1,154,767	495,122	183,171	33,287,725

5. INVESTMENT PROPERTY

	Freehold land	Building	Improvements to buildings	Furniture and fixtures	Plant, machinery and equipment	Capital work-in-progress	Total
Cost:							
At 1 January 2023	12,104,756	21,437,825	114,210	79,619	3,410,204	199,306	37,345,920
Additions	1,417,619	643,369	118,755	-	-	-	2,179,743
Transfer of capital work-in-progress	-	-	199,306	-	-	(199,306)	-
Reversal of impairment	-	-	-	-	-	-	-
At 31 December 2023	13,522,375	22,081,194	432,271	79,619	3,410,204	-	39,525,663
Accumulated depreciation:							
At 1 January 2023	-	6,240,355	92,939	25,731	2,444,992	-	8,804,017
Charge for the year	-	601,920	28,034	10,859	167,279	-	808,092
At 31 December 2023	-	6,842,275	120,973	36,590	2,612,271	-	9,612,109
Net carrying amounts:							
At 31 December 2023	13,522,375	15,238,919	311,298	43,029	797,933	-	29,913,554

Notes of the financial statements (continued)

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5. INVESTMENT PROPERTY (continued)

	Freehold land	Building	Improvements to buildings	Furniture and fixtures	Plant, machinery and equipment	Capital work-in-progress	Total
Cost:							
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
At 31 December 2022	12,104,756	21,437,825	114,210	79,619	3,410,204	199,306	37,345,920
Accumulated depreciation:							
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
At 31 December 2022	-	6,240,355	92,939	25,731	2,444,992	-	8,804,017
Net carrying amounts:							
At 31 December 2022	12,104,756	15,197,470	21,271	53,888	965,212	199,306	28,541,903

The investment property was valued by the management and total fair value amounted to BD 28,040,808 as at reporting date (2022: BD 28,796,292). 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 Nil (2022: BD 650,665). 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 2,189,199 and BD 1,485,180 (2022: BD 2,005,104 and BD 1,439,815) respectively.

Notes of the financial statements (continued)

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6. INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2022: 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:

	2023	2022
At 1 January	6,685,897	6,822,279
Share of profit for the year	1,796,955	2,028,606
Share in associate's other comprehensive income	(50,625)	45,106
Adjustment to the associate's reserve	(6,260)	(10,094)
Dividends received during the year	(1,900,000)	(2,200,000)
At 31 December	6,525,967	6,685,897

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

	2023	2022
Current assets	8,382,359	8,274,034
Non-current assets	12,780,204	13,643,053
Current liabilities	(1,635,186)	(1,936,832)
Non-current liabilities	(705,455)	(678,543)
Equity	18,821,922	19,301,712
Proportion of the Company's ownership	33.33%	33.33%
Share of the associate's net assets	6,273,974	6,433,904
Goodwill included within investment in the associate	251,993	251,993
Carrying amount of interest in associate	6,525,967	6,685,897

	2023	2022
Profit for the year	5,390,866	6,085,818
Other comprehensive income for the year	(170,654)	135,317
Total comprehensive income for the year	5,220,212	6,221,135

	2023	2022
Company's share of profit for the year	1,796,955	2,028,606
Company's share of other comprehensive income for the year	(50,625)	45,106
Company's share of total comprehensive income for the year	1,746,330	2,073,712

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 3,750 (2022: BD 7,397).

Notes of the financial statements (continued)

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7. INVESTMENT SECURITIES

	2023	2022
Equity investments at FVOCI	2,234,143	2,632,924
Debt investment at amortised cost	2,605,624	2,636,785
	4,839,767	5,269,709
Equity investments at FVTPL	1,118,806	1,072,911
	5,958,573	6,342,620

a) Equity investments at FVOCI

	2023	2022
Quoted equity investments	1,859,076	2,270,227
Unquoted equity investments	375,067	362,697
	2,234,143	2,632,924

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

	2023	2022
At 1 January	2,632,924	2,641,524
Transfer during the year	17,795	-
Change in fair value during the year	(416,576)	(8,600)
At 31 December	2,234,143	2,632,924

b) Debt investment at amortised cost

	2023	2022
Quoted debt securities	2,605,624	2,636,785

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)

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7. INVESTMENT SECURITIES (continued)

c) Equity investments at FVTPL

	2023	2022
Quoted equity investments	-	17,795
Managed fund	1,118,806	1,055,116
	1,118,806	1,072,911

Managed fund of BD 1,118,806 (2022: 1,055,116) are managed by external fund manager (refer note 17).

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

	2023	2022
At 1 January	1,072,911	74,666
Additions during the year	-	1,133,550
Transfer / disposal during the year	(17,795)	(53,553)
Change in fair value during the year	63,690	(81,752)
At 31 December	1,118,806	1,072,911

8. INVENTORIES

	2023	2022
Food and beverages	47,541	58,449
General stores	27,063	25,762
	74,604	84,211

Inventories recognised as expenditure in gross operating costs during the year amounted to BD 723,431 (2022: BD 719,570) (note 16).

9. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	6,707	8,082
Bank balances	3,855,408	1,940,522
	3,862,115	1,948,604

Bank deposits of BD 2,300,000 (2022: BD 5,000,000) have an original maturity date of more than three months. The average interest rate on carried by these deposits for the year was 4.8% (2022: 3.7%).

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)

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10. TRADE RECEIVABLES AND OTHER ASSETS

	2023	2022
Trade receivables		
- third parties	399,181	433,845
- related parties (note 17)	1,090	1,315
Less: Provision for expected credit loss	(48,435)	(51,836)
	351,836	383,324
Accrued receivables	54,279	88,073
Prepaid expenses		
- third parties	168,006	183,413
- related parties (note 17)	286	815
Advances to suppliers and contractors	5,125	5,773
Other receivables	20,221	18,403
	599,753	679,801

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:

	2023	2022
At 1 January	51,836	44,502
(Reversal) / charge during the year	(3,400)	7,334
At 31 December	48,436	51,836

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.

11. SHARE CAPITAL

	2023	2022
Authorised:		
150,000,000 (2022: 150,000,000) ordinary shares of BD 0.100 each	15,000,000	15,000,000
Issued and fully paid:		
121,275,000 (2022: 121,275,000) shares of BD 0.100 each	12,127,500	12,127,500

Notes of the financial statements (continued)

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11. SHARE CAPITAL (continued)

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:

	2023	2022
Profit for the year	2,126,160	2,868,784
Weighted average number of equity shares	120,983,979	120,292,954
Basic earnings per share in fils	18	24

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	3,807	9.26
1% to less than 5%	5,837,839	3	4.81
5% to less than 10%	-	-	-
10% to less than 50%	104,216,685	3	85.93
50% and above	-	-	-
	121,275,000	3,813	100.00

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

45.99% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 54.01% by other nationalities. Total shares held by the directors at 31 December 2023 were 0.20% (2022: 0.20%).

Treasury shares

Treasury shares represent the purchase by the Company of its own shares. As reporting date, the Company had no shares (2022: 580,000 shares with acquisition cost of BD 55,261). The market value as at reporting date was BD Nil (2022: BD 82,360). These shares represent Nil % (2022: 0.48%) of the total outstanding shares as at reporting date.

Notes of the financial statements (continued)

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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 52,681 to statutory reserve (2022: BD 286,878). As of 31 December 2023, statutory reserve amounted to BD 6,063,750 (2022: BD 6,011,069).

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 2023, general reserve amounted to BD 1,087,579 (2022: 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 (2022: BD 14,418,702).

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:

	2023	2022
As at 1 January	242,152	221,461
Charge for the year	53,708	65,308
Paid during the year	(17,085)	(44,617)
As at 31 December	278,775	242,152

14. TRADE AND OTHER PAYABLES

	2023	2022
Accrued expenses	532,083	512,128
Trade payables	423,919	511,812
Amounts due to related parties (note 17)	293,463	331,225
Advances from customers	95,272	84,219
Provision for charitable contributions	57,500	55,000
Contract liability	89,276	60,204
Other payables	23,141	39,563
	1,514,654	1,594,151

Notes of the financial statements (continued)

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15. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	2022
Hotel services revenue	5,665,748	5,663,111
Rental revenue	1,406,469	1,194,829
	7,072,217	6,857,940

Hotel services revenue as follows:

	2023	2022
Hotel rooms	2,264,556	2,165,833
Serviced apartments	1,160,389	1,410,995
Food and beverages	1,978,918	1,841,867
Others	261,885	244,416
	5,665,748	5,663,111

16. OPERATING COSTS

	2023	2022
Food and beverages	1,273,636	1,225,295
Engineering	655,312	623,645
Room related expenses	550,493	503,931
Administration and IT	503,179	486,183
Serviced apartments related expenses	440,659	478,448
Selling and marketing	335,081	307,636
Expenses related to office towers	285,944	272,404
Spa	56,194	54,588
Recreation	40,428	34,622
Laundry	11,012	14,445
Other operating costs	310,600	244,867
	4,462,538	4,246,064

Notes of the financial statements (continued)

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16. OPERATING COSTS (continued)

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

	2023	2022
Payroll and related expenses	1,782,017	1,706,887
Consumption of inventories (note 8)	723,431	719,570
Utilities, insurance and taxes	649,016	645,450
Overhead expenses	351,016	274,985
Commission expenses	223,211	233,053
Repairs and maintenance	247,853	217,789
Sales and marketing	142,765	132,937
Management fees (note 17)	125,561	120,328
Others	217,668	195,065
	4,462,538	4,246,064

17. 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:

2023	Share of profit	Purchases	Management fees	Other expenses	Revenues
Shareholder	-	-	-	-	600,276
Associate	1,796,955	79,791	-	-	5,031
Management company (Radisson)	-	-	125,561	50,344	-
Directors	-	-	-	343,336	5,305
	1,796,955	79,791	125,561	393,680	610,612
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

Notes of the financial statements (continued)

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2023	2022
Assets		
Trade receivable and other assets		
- Associate	286	815
- Directors	1,090	1,315
Investments at FVTPL		
- Investment managed by shareholder	1,118,806	1,055,116
	2023	2022
Liabilities		
Trade and other payables		
- Associate	15,070	15,323
- Management company (Radisson)	68,393	105,902
- Directors	210,000	210,000

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 and directors' sitting fees charged to statement of profit or loss during the year ended 31 December 2023 amounted to BD 210,000 (2022: BD 210,000) and BD 69,000 (2022: BD 54,750) respectively. Further, the directors' remuneration related to year ended 31 December 2022 paid during the year amounted to BD 210,000 (2022: BD 53,100 related to year ended 31 December 2021).

During the year, the Company purchased a real estate property (Building) from a shareholder for BD 2,060,988. The property is located in Manama, Kingdom of Bahrain. The Company classified the building as investment property as at reporting date.

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:

	2023	2022
Short-term benefits	236,404	224,194
Post-employment benefits	9,932	10,094
	246,336	234,288

Notes of the financial statements (continued)

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18. PROPOSED APPROPRIATIONS

	2023	2022
Proposed appropriations:		
Cash dividend	1,455,300	1,450,511

Proposed appropriation of the 2023 results are subject to approval by shareholders at the Annual General Meeting. During the annual general meeting held on 19 March 2023 the shareholders approved a dividend of BD 1,450,511 for the year 2022.

19. 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 optimizing 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 available undrawn overdraft facility 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.

Notes of the financial statements (continued)

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19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

2023	Gross carrying amount	Expected credit loss allowance	Carrying amount	Credit-impaired
Current	25,233	-	25,233	No
1-30 days past due	215,573	(7,477)	208,096	Yes
31-60 days past due	40,264	(7,346)	32,918	Yes
61-90 days past due	43,017	(4,046)	38,971	Yes
91-120 days past due	18,139	(2,677)	15,462	Yes
More than 120 days past due	58,045	(26,889)	31,156	Yes
	400,271	(48,435)	351,836	

2022	Gross carrying amount	Expected credit loss allowance	Carrying amount	Credit-impaired
Current	20,900	-	20,900	No
1-30 days past due	195,795	(2,820)	192,975	Yes
31-60 days past due	124,569	(7,000)	117,569	Yes
61-90 days past due	33,938	(4,827)	29,111	Yes
91-120 days past due	8,377	(2,316)	6,061	Yes
More than 120 days past due	51,581	(34,873)	16,708	Yes
	435,160	(51,836)	383,324	

The Company provides its services to a large number of customers. Its largest five customers account for 39% of outstanding trade receivables at 31 December 2023 (2022: 48%).

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

	2023	2022
Trade receivables - net	351,836	383,324
Other receivables	13,062	10,785
Cash and cash equivalents	3,855,408	1,940,522
Bank deposits	2,300,000	5,000,000
	6,520,306	7,334,631

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

As at 31 December 2023, the Company has BD 7,339,997 (2022: BD 5,791,742) of resources comprising cash and cash equivalents of BD 3,862,115 (2022: BD 1,948,604) and, other highly liquid assets (listed shares and managed fund) of BD 2,977,882 (2022: BD 3,343,138) and unused credit line available of BD 500,000 (2022: 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.

	2023			2022		
	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%	192,662	-	+5%	40,410	-
	-5%	(192,662)	-	-5%	(40,410)	-
Equity investments at FVTPL	+5%	-	55,282	+5%	-	53,173
	-5%	-	(55,282)	-5%	-	(53,173)

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.

Capital management

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

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

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.

2023	Level 1	Level 2	Level 3	Total
Investments at FVOCI	1,859,076	-	375,067	2,234,143
Investments at FVTPL	-	1,118,806	-	1,118,806
	1,859,076	1,118,806	375,067	3,352,949
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

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:

	2023	2022
At 1 January	362,697	355,957
Disposal during the year	-	-
Net change in fair value during the year	12,370	6,740
At 31 December	375,067	362,697

Financial assets and liabilities not measured at fair value

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

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 (refer note 5). Accordingly, the fair value has been categorised as level 3 in the fair value hierarchy.
- The fair value of the debt security at amortised cost with carrying value of BD 2,605,624 (2022: BD 2,636,785) is BD 2,539,124 (2022: BD 2,437,421). The fair value is classified as Level 2.

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

21. SEGMENT INFORMATION

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

Hotel business	- Room rental, food and beverage sales, conferences and events.
Real estate properties	- Rental income from offices and commercial properties.
Investments and corporate	- Income from investments including the associate, equity investments, bank deposits and head office expenses.

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		Real estate properties		Investments and corporate		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Hotel services revenue	5,665,748	5,663,111	-	-	-	-	5,665,748	5,663,111
Rental revenue	-	-	1,406,469	1,194,829	-	-	1,406,469	1,194,829
Gross operating costs	(4,176,594)	(3,973,660)	(285,944)	(272,404)	-	-	(4,462,538)	(4,246,064)
Gross operating profit	1,489,154	1,689,451	1,120,525	922,425	-	-	2,609,679	2,611,876
Investment income - net*	-	-	-	-	2,374,467	2,338,848	2,374,467	2,338,848
Other income	-	-	-	-	14,043	7,872	14,043	7,872
Depreciation	(1,378,216)	(1,829,166)	(808,092)	(789,794)	-	-	(2,186,308)	(2,618,960)
Reversal of impairment	-	471,822	-	650,665	-	-	-	1,122,487
General and administrative expenses	-	-	-	-	(685,721)	(593,339)	(685,721)	(593,339)
Loss on write-off of property, plant and equipment	-	-	-	-	-	-	-	-
Profit / (loss) for the year	110,938	332,107	312,433	783,296	1,702,789	1,753,381	2,126,160	2,868,784

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

Notes of the financial statements (continued)

For the year ended 31 December 2023

Bahraini Dinars

21. SEGMENT INFORMATION (continued)

31 December	Hotel business		Real estate properties		Investments and corporate		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Total assets	34,117,786	33,786,897	30,061,842	28,691,824	18,646,695	20,092,040	82,826,323	82,570,761
Total liabilities	1,306,773	1,509,927	31,287	41,323	455,369	285,053	1,793,429	1,836,303

22. COMMITMENTS AND CONTINGENCIES

The Company have BD 2,127,929 capital expenditure commitment related to the refurbishment of the hotel and residence and other related capital expenditures (2022: BD 86,164).

The Company has an outstanding guarantee of BD 4,050 as at reporting date (2022: BD 4,050).

23. 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.





National Hotels
Company Corporate
Governance Report
for the year ended
2023

Corporate Governance Report

for the year ended 31 December 2023

1. Actions taken to complete the Corporate Governance Code

The Corporate Governance Code issued by the Ministry of Industry & Commerce 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 2023.

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 & 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"> Businessman with experience of more than 50 years. PhD in Administration & Organization. Chairman - National Hotels Company B.S.C. Chairman & Managing Director - Gulf Plastic Industries W.L.L. Chairman & Managing Director - Zayani Computer Systems. 	30/4/1983	28/3/2024	NIL	NIL

Corporate Governance Report (continued)

for the year ended 31 December 2023

3. Composition of the Board (continued)

A. Current Board of Directors Composition (continued):

No.	Name	Type (executive, non-executive & 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"> Currently serving as the Director of Investment Accounting Department at the Kuwait Investment Authority. Has extensive experience in Business Management. 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. Held the position of Senior Accountant at Kuwait Real Estate Investment Group. 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. 	28/3/2018	28/3/2024	NIL	NIL
3	AbdulAziz Abdullah Alisa	Non-executive	<ul style="list-style-type: none"> Currently serving as the Executive Director of Legal Affairs and Secretary of the Board of Directors of the Social Insurance Authority. Holds a Basic Supervision Diploma from the University of Bahrain and a Bachelor of Law from the University of Beirut. 	29/3/2013	28/3/2024	NIL	NIL

Corporate Governance Report (continued)

for the year ended 31 December 2023

3. Composition of the Board (continued)

A. Current Board of Directors Composition (continued):

No.	Name	Type (executive, non-executive & 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		
4	Meshari Zaid Al Khalid	Non-executive	<ul style="list-style-type: none"> Currently serving General Manager of Al-Khalid International Group, Kuwait. Has extensive experience in the Business Management. 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. Holds a Bachelor's Degree in Commerce from the college of Business Administration, Cairo University. 	27/3/2002	28/3/2024	NIL	NIL
5	Faisal Yousif Al Meshari	Non-executive	<ul style="list-style-type: none"> Currently serving Assistant General Manager for Investment and corporate Finance at the Kuwait Investment Company. Senior Manager within the Business Development Department at the Kuwait Investment Company. Held the position of Financial Analyst at Kuwait and Middle East Financial Investment Company. Holds a Bachelor's Degree in finance from the Administrative Sciences College - University of Kuwait. 	28/3/2018	28/3/2024	NIL	NIL

Corporate Governance Report (continued)

for the year ended 31 December 2023

3. Composition of the Board (continued)

A. Current Board of Directors Composition (continued):

No.	Name	Type (executive, non-executive & 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	Abdulla Mohamed Al Mahmood*	Non-executive	<ul style="list-style-type: none"> Executive Director of Customer Services – Social Insurance Organisation. Has more than 34 years of extensive and diversified experience in information technology, human resources and administration, accounting and finance, benefits and customer services. Held Several Key Positions, including Board Member in Bahrain Commercial Facilities Company (2014 – 2023) and Bahrain Tourism Company (2012 – 2013). Holds a Diploma in Actuarial Science from Mohanna Foundation, Cyprus, 1998; an MSc in Management Technology from Arabian Gulf University, Bahrain, 1997; and a BSc in Statistics from Kuwait University, Kuwait, 1988. 	19/3/2023	28/3/2024	NIL	NIL
7	Shehab Ahmed Haji	Non-executive	<ul style="list-style-type: none"> Currently works as an investment manager in the General Reserve Sector at the Kuwait Investment Authority. Held several positions in various banking fields, most notably the position of Relationship Officer at Gulf Bank in Kuwait. Holds a Bachelor's Degree in financing and management of financial institutions - the College of Administrative Sciences from the University of Kuwait. 	28/3/2018	28/3/2024	NIL	NIL

* Mr. Abdullah Mohamed Al Mahmood was appointed to replace Mrs. Elham Adel as representative of the Social Insurance Organisation.

Corporate Governance Report (continued)

for the year ended 31 December 2023

3. Composition of the Board (continued)

A. Current Board of Directors Composition (continued):

No.	Name	Type (executive, non-executive & 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		
8	Abdulrahman Ali Marshad	Independent / non-executive	<ul style="list-style-type: none"> Holds a Bachelors degree from Damascus University - Faculty of Arts (English). Joined several specialized courses for business administration in the Kingdom of Bahrain and the United Kingdom. One of the first Bahrainis to join the Hotel Business since 1979 Joined National Hotels Company - The Diplomat Hotel in 1979 and become its CEO for more than 10 years. Elected to be a head of the first executive committee for a grouping of 5-Star Hotels in the Kingdom of Bahrain and served for 16 years. Appointed as a member of the Board of Trustees of the school of catering and hotel management. Appointed as a board member of the first qualitative training council in the catering and hotel sector, then as the chairman of the board for more than 15 years. Appointed as a member of a national committee assigned by the economic development board in the Kingdom of Bahrain to develop the national strategic plan for the development of the tourism sector in the Kingdom of Bahrain. 	28/3/2019	28/3/2024	NIL	NIL

B. The board comprises of 8 members, all of whom are male.

Corporate Governance Report (continued)

for the year ended 31 December 2023

3. Composition of the Board (continued)

C. Description of the following:

- The directors' remuneration for the past year (2022) was BD 210,000.
- The total directors' remuneration proposed for the current year (2023) is BD 210,000, which will be presented at the Annual General Meeting for approval.
- The following is a list of the committee attendance fees of the respective directors for the financial year 2023:

Executive Committee:

No.	Name	Committee Attendance Fees	
		(in BD)	Number of meetings
1	Abdulaziz Abdullah Alisa	750 /-	5
2	Adel Nuhaba Hamada	750 /-	5
3	Faisal Yousif Al Meshari	750 /-	5
4	Shehab Ahmed Haji	750 /-	4
5	Abdulla Mohamed Al Mahmood	750 /-	4

Audit & Corporate Governance Committee:

No.	Name	Committee Attendance Fees	
		(in BD)	Number of meetings
1	Meshari Zaid Al Khalid	750 /-	5
2	Abdulrahman Ali Marshad	750 /-	5
3	Faisal Ahmed Al Zayani	750 /-	4
4	Elham Adel Ahmed	750 /-	1
5	Shehab Ahmed Haji	750 /-	1

Nomination & Remuneration Committee:

No.	Name	Committee Attendance Fees	
		(in BD)	Number of meetings
1	Faisal Ahmed Al Zayani	750 /-	2
2	Meshari Zaid Al Khalid	750 /-	2
3	Abdulrahman Ali Marshad	750 /-	2

Corporate Governance Report (continued)

for the year ended 31 December 2023

3. Composition of the Board (continued)

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 2023, the Board of Directors of the Company held six 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	1/2/2023	16/2/2023	8	-
2	7/3/2023	19/3/2023	8	-
3	20/4/2023	11/5/2023	8	-
4	25/6/2023	24/7/2023	8	-
5	1/10/2023	19/10/2023	7	1
6	27/11/2023	13/12/2023	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.

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:

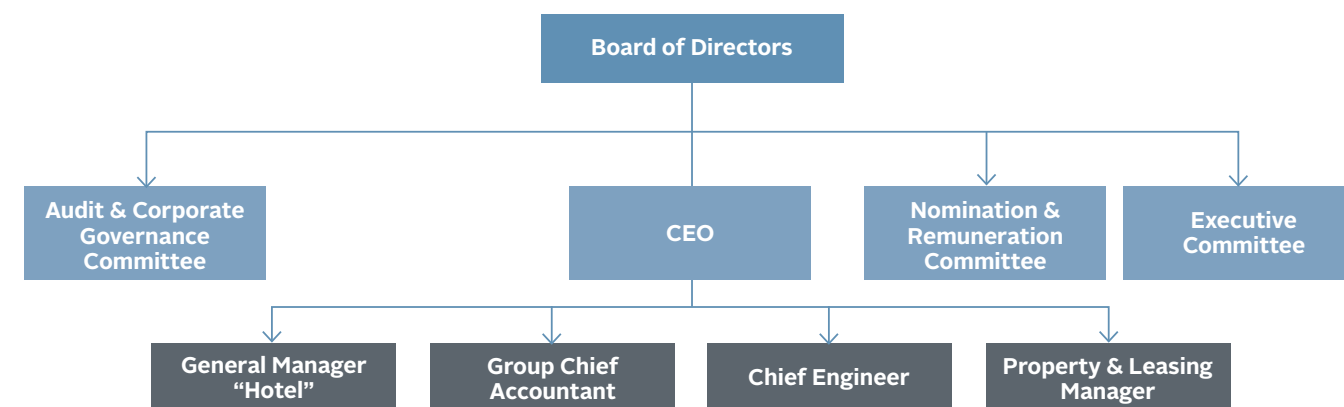
Related parties	Purchases	Fees for Management services	Other expenses	Revenue and other income
Bahraini Dinar				
Shareholder	-	-	-	600,276
Associate company	79,791	-	-	5,031
Management Company (Radisson)	-	125,561	50,344	-
Directors	-	-	343,336	5,305
Total	79,791	125,561	393,680	610,612

Corporate Governance Report (continued)

for the year ended 31 December 2023

3. Composition of the Board (continued)

G. Organizational 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 (2023) amounted to 276,618/- Bahraini Dinars.

4. External Auditor

Upon a recommendation from the Board of Directors, the Ordinary General Assembly at its meeting held on 19/3/2023 appointed Ms. "KPMG" as the external auditor of the Company for the financial year ended 31/12/2023, at an agreed fee of BD 16,000, 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 2023 to the Board of Directors, which will be presented at the Ordinary General Assembly to be held on 28/3/2024.

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.

The table below highlights the External Auditor's details:

Name of Audit firm	KPMG
Years of service as the company's external auditor	4 years
The partner in charge of the company's audit	Mr. Harish Gopinath
Total audit fees for the financial statements for the year 2023	BD 16,000/-
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2023.	BD 3,000/-

Corporate Governance Report (continued) for the year ended 31 December 2023

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				
				15/2/2023	10/5/2023	23/7/2023	18/10/2023	12/12/2023
1	Meshari Zaid Al Khalid	Chairman / Member*	5	✓	✓	✓	✓	✓
2	Abdulrahman Ali Marshad	Chairman / Member*	5	✓	✓	✓	✓	✓
3	Faisal Ahmed Al Zayani	Member	4		✓	✓	✓	✓
4	Elham Adel Ahmed	Member	1	✓				
5	Shehab Ahmed Haji	Member	1	✓				

* During the year, the board approved restructuring its Board Committees in order to meet the requirements of the Corporate Governance Code. Accordingly, the Audit & Corporate Governance Committee was reconstructed to have three members only, the majority of whom are independent, including its chairman. The new committee members resumed their roles with effect from May 2023.

6. Nomination and Remuneration Committee (NRC)

No.	Name	Position	Number of meetings attended	Dates of meetings held	
				10/5/2023	13/12/2023
1	Faisal Ahmed Al Zayani	Chairman	2	✓	✓
2	Meshari Zaid Al Khalid	Member	2	✓	✓
3	Abdulrahman Ali Marshad	Member	2	✓	✓

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 2023

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 2023.

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 62,500/- in 2023. The Company maintains the details of these donations and details of the receiving parties within its records.



Corporate Governance Report (continued)

for the year ended 31 December 2023

10. Shareholders Information

A. The following table presents the Company's shareholder distribution by type of shareholder as of 31 December 2023:

No.	Shareholder classification	Shareholding %			Total
		Individuals	Corporate	Government or Organisations	
1	Local	12.06%	1.78%	32.15%	45.99%
2	Arab	-	0.23%	53.78%	54.01%
3	Foreign	-	-	-	-
	Total	12.06%	2.01%	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 2023:

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 2023:

No.	Distribution of ownership Stock	Number of shareholders	Number of shares owned	Percentage of shares owned by the capital
1	>50,000	3,778	3,249,834	2.68%
2	50,000 to 500,000	22	3,573,481	2.95%
3	500,000 to 5,000,000	10	10,235,000	8.44%
4	<5,000,000	3	104,216,685	85.93%
	Total	3,813	121,275,000	100.00%

D. Significant events that occurred during the year 2023:
Nil.

Corporate Governance Report (continued)

for the year ended 31 December 2023

11. Compliance with the provisions of Corporate Governance Code

Principle	Non-compliant	Partially Compliant	Fully compliant	Explanation in case of non-compliance
				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.
				Hence, the Board is of the opinion that this does not necessarily dilute the corporate governance standards set or implemented.
				Nevertheless, the Board had discussed this matter again during its recent meetings, and confirmed the importance of implementing the requirements of the regulatory authorities and Corporate Governance Code. A recommendation will be submitted to the upcoming General Assembly to approve increasing the number of board members to satisfy the regulatory and corporate governance requirements of having a third independent director on the Board of the Company.
Principle 1: The Company shall be headed by an effective, qualified and expert board.		✓		
Principle 2: The directors and executive management shall have full loyalty to the Company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and financial reporting, Internal control and compliance with law.			✓	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			✓	

Corporate Governance Report (continued)

for the year ended 31 December 2023

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

Principle	Non-compliant	Partially Compliant	Fully compliant	Explanation in case of non-compliance
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

There were no other disclosures required by the regulatory authorities worth highlighting for the year.

