

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

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Dear Shareholders,

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

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

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

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

Financial Highlights for the year 2021:

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

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Future outlook:

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

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

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

Corporate Governance:

The Board of Directors presented its first report on Corporate Governance on 26th February, 2012 and a report on Corporate Governance for year 2021 forms a part of this annual report.

CSR Initiatives & ESG Reporting:

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

Proposed Appropriations:

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

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

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

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Directors' Remuneration & Executive Salaries:

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

In accordance with the Article 188 of Bahrain Commercial Law and amendment degree No.28/2020, the details of salaries, bonuses, share in profits, attendance allowances, representation allowances, expenses, etc. towards administrative, advisory or any other business paid to the Board of Directors during the year 2021 are disclosed as under:

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors													
First: Board of directors' remuneration details:													
Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- Ali Yusuf Ali Ubaydli	13,000	-	-	-	13,000	-	-	-	-	-	-	-	-
2-Mohammed Ebrahim Khalil Kanoo	13,000	-	-	-	13,000	-	-	-	-	-	-	-	-
3-Shawqi Ali Yusuf Fakhro	13,000	-	-	-	13,000	-	-	-	-	-	-	-	-
4-Jalal Mohamed Yusuf Jalal	13,000	-	-	-	13,000	-	-	-	-	-	-	-	-
5-Fareed Yusuf Khalil Almoayyed	13,000	-	-	-	13,000	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1- Jihad Yusuf Abdulla Amin	13,000	-	-	-	13,000	-	-	-	-	-	-	-	-
Third: Executive Directors:													
1-Dr Esam A. Fakhro	13,000	-	84,000	-	97,000	-	-	-	-	-	-	-	-
2-Ahmed A. Rashed Albastaki	13,000	-	120,000	9,210	142,210	-	-	-	-	-	-	-	-
Total	104,000		204,000	9,210	317,210								
Note (1): All amounts are stated in Bahraini Dinars.													
Note (2): No sitting fees was paid to the directors for the year 2021													
Note (3): Proposed Board Remuneration for the year 2021 amounting to BD 104,000 is subject to the approval at the AGM.													
Other remunerations:													
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).													
** It includes the board member's share of the profits - Granted shares (insert the value) (if any).													

The details of the remuneration paid during the year 2021 to the executive management, including salaries, benefits, ESOPs etc. are disclosed as under:

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

Note: All amounts are stated in Bahraini Dinars.

* The highest authority in the executive management of the Company

** The Company's highest financial officer

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Acknowledgements:

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

On behalf of the Board of Directors and the blessing of Almighty God, I would like to express my deep gratitude and appreciation to His Majesty King Hamad Bin Isa Bin Salman Al Khalifa, King of the Kingdom of Bahrain and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Deputy Supreme Commander and Prime Minister, for their continuous co-operation and constant support. I would like to thank all the Heads and officials from the Ministries and institutions of the Kingdom of Bahrain for their invaluable support extended to the Group.

Conclusion:

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

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

Yours sincerely,



**Dr. Esam Abdulla Fakhro
CHAIRMAN**