

Bahrain Family Leisure Company B.S.C.
Corporate Governance Report for the year 2019

1. Description of the actions taken to complete the Corporate Governance Code during the year 2019 and how they were applied.

The Board and the Company's employees are expected to maintain the highest level of corporate ethics and personal behaviour. The Company has established a Code of Conduct which provides an ethical and legal framework for all employees in the conduct of its business. The Code of Conduct defines how the Company relates to its employees, shareholders and the community in which the Company operates. The Board of directors has adopted the code of Business Conduct and a company Whistle-blower policy to monitor compliance with company ethics.

There have been no changes to the Company corporate governance guidelines of the Company during 2019.

2. Description of the transactions of the directors, their spouses and sons on the Company's shares during the year 2019 according to the following table:

Name	Position/kinship	Shares held as at 31/12/2019	Total sale transaction	Total purchase transaction
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The Directors, their spouses and sons did not trade in company shares during the year ended 31 December 2019.

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3. Composition of the Board:

(a) Description of the current Board composition according to the following table:

The following table summarizes the information about the profession and business title & Composition of the current Board members;

	Name of Board Member	Profession	Business Title	Executive / non-executive independent / non-independent	Experience in years	Qualification
1	Mr. Abdul Latif Khalid Al Aujan	Businessman	Chairman	Non-executive / Independent	50	University Degree in Commerce - England
2	Mr. Garfield Jones	CEO - Gulf Hotels Group	Vice-Chairman/ Managing Director	Executive / Non-independent	38	HCIMA Part B Professional Qualification
3	Mr. Adel Salman Kanoo	Businessman	Director	Non-executive / Independent	35	Master Degree in Business Administration and MSC Air Transport Management.
4	Mr. Bashar Mohd Alhasan	Businessman	Director	Non-executive / Independent	42	Bachelor Degree - Economics
5	Mr. Sharif Mohd Ahmadi	Businessman	Director	Non-executive / Independent	42	Bachelor Degree - Electrical Engineering
6	Mr. Ron Peters	Deputy CEO Gulf Hotels Group	Director	Executive / Non-independent	39	GSCE 5 MBA Higher W-set level 2
7	Mr. Suresh Surana	CFO Gulf Hotels Group	Director	Executive / Non-independent	40	Commerce Graduate & Chartered Accountant from India (ICAI)

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The following table summarizes the information about the current Board members title, year of first election/appointment & number of years in the Board.

	Name	Title	Nationality	First Election/ Appointment Date	Last Election/ Appointment Date	Total number of years in the Board 31-12-2019	Dependent/ Independent
1	Mr. Abdul Latif Khalid A-Aujan	Chairman	Bahraini	1994	13.03.2019	25 Years	Non-Executive/ Independent
2	Mr. Garfield Jones	Vice Chairman / Managing Director	British	2012	13.03.2019	7 Years	Executive/Non Independent
3	Mr. Adel Salman Kanoo	Director	Bahraini	2000	13.03.2019	19 Years	Non-Executive/ Independent
4	Mr. Bashar Mohd Alhasan	Director	Bahraini	1997	13.03.2019	22 Years	Non-Executive/ Independent
5	Mr. Sharif Mohd Ahmadi	Director	Bahraini	2003	13.03.2019	16 Years	Non-Executive/ Independent
6	Mr. Ron Peters	Director	British	2017	13.03.2019	2 Years	Executive/Non Independent
7	Mr. Suresh Surana	Director	Indian	2011	13.03.2019	8 Years	Executive/Non Independent

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Name of board member	Number of Directorships in Listed Companies
Mr. Abdul Latif Khalid Al Aujan	one
Mr. Garfield Jones	Nil
Mr. Adel Salman Kanoo	Nil
Mr. Bashar Mohd Alhasan	Nil
Mr. Sharif Mohd Ahmadi	Nil
Mr. Ron Peters	Nil
Mr. Suresh Surana	Nil

b)

1. Total remunerations paid to the directors for the year 2019 is BD Nil.
2. No remuneration proposed for the directors for the year 2019.
3. Total sitting fee paid to the Board Members is amounted to BD 24,400 during the year.

c) **Number and dates of the Board's meetings held during the financial year 2019, in addition to the number of times directors attended in person.**

	Names of Directors Present	13-Feb	08-April	17-April	29-May	01-Jul	31-Jul	23-Oct	27-Nov
1	Mr. Abdul Latif Khalid Al Aujan	✓	✓	✓	✓	✓	✓	✓	✓
2	Mr. Garfield Jones	✓	✓	✓	✓	✓	✓	✓	✓
3	Mr. Adel Salman Kanoo	✓	x	☎	✓	✓	✓	☎	✓
4	Mr. Bashar Mohd Alhasan	✓	✓	✓	✓	✓	✓	✓	✓
5	Mr. Sharif Mohd Ahmadi	x	✓	✓	✓	✓	✓	✓	x
6	Mr. Ron Peters	✓	✓	✓	✓	✓	✓	☎	✓
7	Mr. Suresh Surana	✓	✓	✓	✓	✓	✓	✓	✓

☎ - Attendance by conference call.

d) Description of the Board's duties and competences carried out on its behalf by the Executive Management by delegation of authority, specifying the duration and validity of the delegation.

Board and Directors' Responsibilities

The Board of Directors is accountable to shareholders for the proper and prudent investment and preservation of Shareholder interests. The Board's role and responsibilities include but not limited to:

- Monitoring the overall business performance
- Monitoring management performance and succession plan for senior management
- Monitoring conflicts of interest and preventing abusive related party transactions
- Accurate preparation of the end of year financial statements
- Convening and preparing the Shareholders' meeting
- Recommend dividend payable to Shareholders and ensure its execution
- Adapt, implement and monitor compliance with the company's code of ethics
- Review the company's objectives and policies relating to social responsibilities
- Select, interview and appoint General Manager and other selected members of the executive management

In this respect, the Directors remain individually and collectively responsible for performing all Board of Director's tasks.

Election/re-election of Board takes place every three years at the meeting of the Shareholders. Termination of a Board member's mandate at the meeting usually occurs by dismissal of the shareholders or by the member's resignation from the Board of Directors.

Material transactions requiring board approval

The following material transactions require board review, evaluation and approval:

- The company strategy
- The annual budget
- Major resource allocations and capital investments
- Management responsibilities and training, development and succession plan for Senior Management.

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the major shareholders, directors, key management personnel and their close family members and such other companies over which the Company or its major shareholders, directors, key management personnel and their close family members can exercise significant influence or can be significantly influenced by those parties. Transactions with the related parties are authorized by the management and are on arm's length basis.

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A summary of related party balances as on 31st December 2019 is as follows:

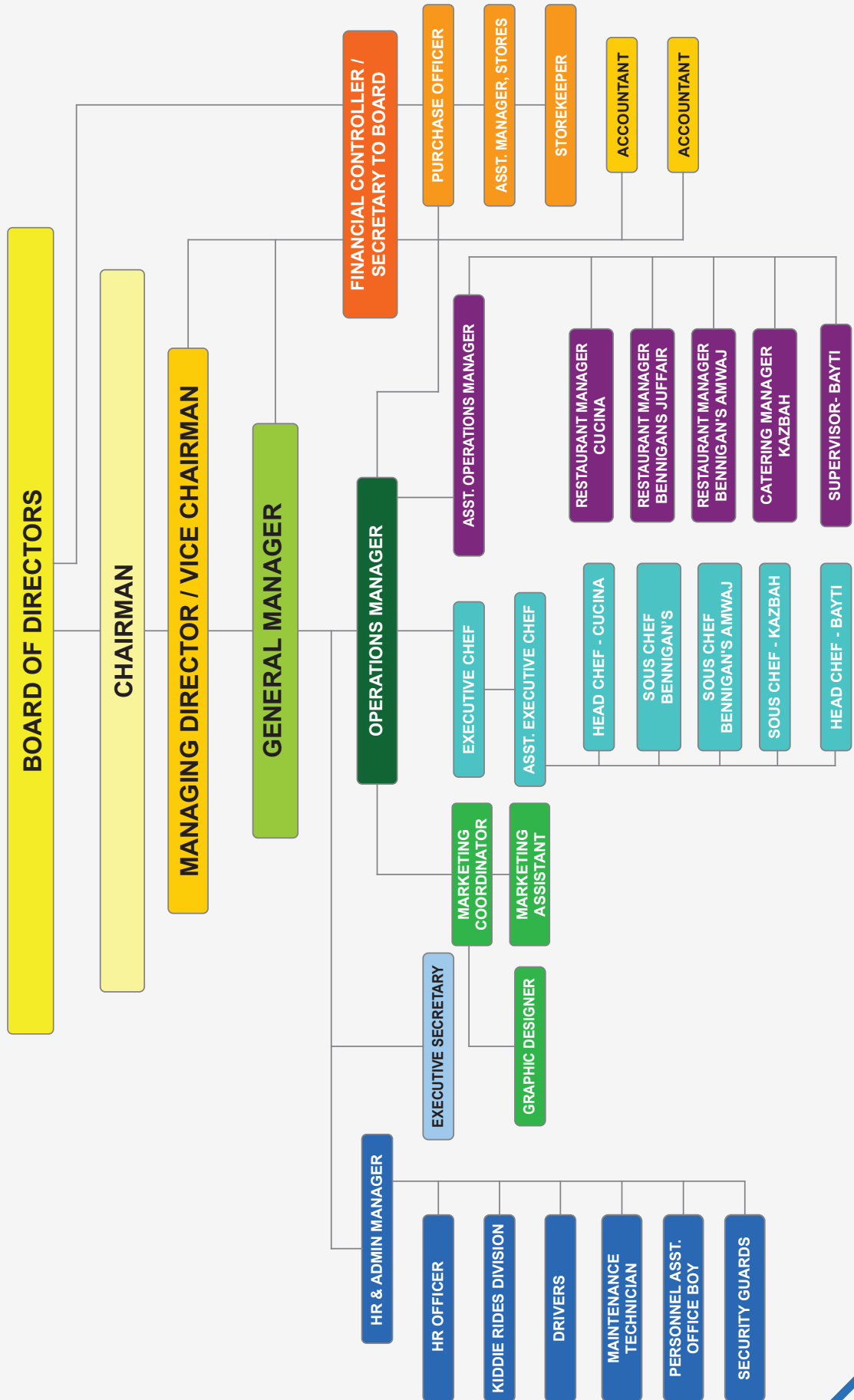
	Related party relationship	31 December 2019	31 December 2018
Amounts due to related parties			
Gulf Hotels Group B.S.C.	Shareholder	-	254
Abdul Latif Al Aujan Food International	Common Shareholder	4,356	4,072
Bahrain Gas W.L.L.	Common Shareholder	<u>792</u>	<u>391</u>
		<u>5,148</u>	<u>4,717</u>

Transactions with related parties are as follows:

Related party	Related party relationship	Type of transaction	Year ended 31 December 2019	Year ended 31 December 2018
Directors	Directors	Attendance fees for attending Board meetings	43,300	27,650
		Directors remuneration	-	<u>55,450</u>
			<u>43,300</u>	<u>83,100</u>
Gulf Hotel Group	Shareholder	AGM meeting hall rent etc.	1,229	1,188
		Staff expenses	1,255	3,929
Abdul Latif Al Aujan Food International	Common Shareholder	Purchase of food items	14,816	16,218
Bahrain Gas W.L.L.	Common Shareholder	Purchase of cooking gas & Kitchen Equipment	13,933	6,533

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f) The Company's organizational structure, including the first and second grades at a minimum and including the Company's Board of Directors, general manager and/or Managing Director and managers.



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g) Total remunerations paid to the key executive officers (the top two employees), including salaries, benefits, allowances, increases, stock options, end-of-service benefits, pensions, etc.

Name of Executive Member	Designation	Profession	Business Title	Experience
Mr. Ibrahim Abdo	General Manager	Administration	GM	24
Mr. K T Pauly	Financial Controller	Administration	FC	36

The total remuneration paid to the executive management amounted to BD 59,104/-.

4. External Auditors:

- Providing shareholders with the auditor's profile and overview of its professional performance.
- Fees and charges for the audit or services provided by the external auditor during the year 2019, in addition to a description of the auditor's years of service as the Company's external auditor. According to the following table:

Name of the Audit Firm	BDO
Years of Service as the Company's external Auditor	Since 2002, 18 years
Name of the partner in charge of the Company's audit	Mr. Arshad Gadit
The partner's years of service as the partner in charge of the Company's audit	Seven years
Total Audit fees for the financial statements for the year 2019 (in BD)	The information will be kept at corporate office as confidential and will produce on request after approval of Board of Directors.
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019.	Nil

5. Audit Committee:

a) Names, competences and duties of the audit committee's members.

Audit Committee	Reviews the internal audit program and internal control system, considers major findings of internal audit reviews, investigations and managements response. Ensures coordination among the internal and external auditors.	Mr. Suresh Surana Mr. Bashar Mohd Alhasan Mr. Garfield Jones	Executive / Non Independent Non-Executive / Independent Executive / Non Independent
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- b) Number and dates of meetings held by the audit committee during the year to discuss issues related to financial statements and any other matters and the number of times members attended the meetings in person

	10 - February	14 - April	28 - July	20 - October
Mr. Suresh Surana	✓	✓	✓	✓
Mr. Bashar Mohd Alhasan	✓	✓	✓	✓
Mr. Garfield Jones	✓	✓	✓	✓

Total sitting fee paid to the Audit Committee members during 2019 amounted to BD 3,800/- as basic fee.

6. Nomination and Remuneration Committee (NRC):

- a) Names, competences and duties of the NRC committee's members:

Nominating & Remuneration Committee	Identify persons qualified to become members of the board of directors and senior executive management of the company, with the exception of the appointment of internal auditors. Determine the appropriate size and composition of the Board and committees of the board. Making recommendations to the board on the removal and appointment of directors. Developing a succession plan for the Board and senior management and regularly reviewing the plan. Review, Recommend and Determine remuneration and incentive policies for the Board of Directors and Senior Management, having regard to prevailing market rates for similar roles and making them as attractive so as to retain and attract quality people to run the company successfully.	Mr. Abdul Latif Khalid Al Aujan	Non-Executive / Independent
		Mr. Adel Salman Kanoo	Non-Executive / Independent
		Mr. Sharif Mohd Ahmadi	Non-Executive / Independent
		Mr. Suresh Surana	Executive / Non Independent

- b) Number and dates of meetings held by the committee during the financial year and the number of times members attended the meetings in person.

	17 - April	23 - October
Mr. Abdul Latif Khalid Al Aujan	✓	✓
Mr. Adel Salman Kanoo	x	☎
Mr. Sharif Mohd Ahmadi	✓	✓
Mr. Suresh Surana	✓	✓

Total sitting fee paid to the Nominating & Remuneration Committee members during 2019 amounted to BD 1,900/- as basic fee.

☎ - Attendance by conference call.

7. Governance Committee:

a) Names, competences and duties of the governance committee's members:

Corporate Governance Committee	Corporate governance committee is an internal system that encompasses policies, processes, people, and which makes sure the needs of shareholders and other stakeholders are met in full. This will be accomplished by directing and controlling managing activities using good business practices, objectivity, accountability and integrity. Corporate Governance Committee implements Corporate Culture of the organization, commitment of the board and senior management towards the corporate governance framework and approach of company to adhere to the code as integrity program rather than as compliance program.	Mr. Adel Salman Kanoo	Non-Executive / Independent
		Mr. Sharif Mohd Ahmadi	Non-Executive / Independent
		Mr. Ron Peters	Executive / Non-Independent
		Mr. Suresh Surana	Executive / Non-Independent

b) Summary of the committee performance report during the year 2019:

	15 - July	24 - Nov
Mr. Adel Salman Kanoo	✓	✓
Mr. Sharif Mohd Ahmadi	✓	✓
Mr. Ron Peters	x	✓
Mr. Suresh Surana	✓	✓

Total sitting fee paid to the Corporate Governance Committee during 2019 amounted to BD 2,550/- as basic fee.

8. Corporate governance officer's name, qualifications, date of appointment, and contact details.

Name	Qualification	Date of Appointment	Contact Details
Mr. Ibrahim Abdo	Business Hotel Management/F&B	18 th April, 2018	Tele: 36555933 / 17292973 Fax: 17294676 e-mail: ibrahim.abdo@bflc.com.bh

9. Details of any irregularities committed during the financial year, their causes (if any), and the plan to address them in order to avoid future recurrence.

There were no irregularities committed or reported during the financial year 2019.

10. Description of the cash and in-kind contributions made by the Company during the year 2019 for the purpose of community development and environment preservation (In the absence of contributions, it should be stated that the Company did not make any contributions), indicating the recipients of these contributions.

There were no cash and in-kind contributions made by the Company during the year 2019.

a. Statement of shareholders' equity as of 31/12/2019 (individuals, corporate, government or organizations) to be classified as follows: Local, Gulf, Arab, and foreign.

Shareholder Classification	SHARE HOLDING %			
	Individuals	Corporate	Government or Organizations	Total
Local	48.35%	40.68%	0.25%	89.28%
Arab	9.75%	0.97%	-	10.72%
Foreign	-	-	-	-
Total	58.10%	41.65%	0.25%	100.00%

b. Description of the shareholders who hold 5% or more of the Company's share capital, indicating the name of the natural person who holds the shares, the final beneficiary, as at 31/12/2019 as follows:

No natural person holding company shares 5% or more of the company's share capital as at 31st December 2019.

c. Description of how shareholders are distributed according to their respective shareholding as at 31/12/2019 as follows:

Serial Number	Shareholding (Share)	No. of Shareholders	Number of Shares held	Shareholding %
1	<50,000	812	3,320,202	8.30%
2	50,000 to 500,000	117	15,145,137	37.86%
3	500,000 to 5,000,000	11	11,434,661	28.59%
4	>5,000,000	1	10,100,000	25.25%
	Total	941	40,000,000	100.00%

d. Description of the significant events that occurred during the year 2019.

No significant events occurred during the year 2019.

11. Compliance with the provisions of the Corporate Governance Code, as follows:

Principle	Non-compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.		Yes		Explained Below
Principle 2: The directors and executive management shall have full loyalty to the company.			Yes	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.		Yes		Explained Below
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			Yes	
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.			Yes	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.		Yes		Explained Below
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.		Yes		Explained Below
Principle 8: The Company shall disclose its corporate governance.		Yes		Explained Below
Principle 9: Companies which offer Islamic services shall adhere to the principles of Islamic Sharia. *			Not Applicable	
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			Yes	
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.		Yes		Explained Below

* Applicable only to the companies offering Islamic services.

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Bahrain Family Leisure Company B.S.C. currently complies with all the provisions of the Ministry of Industry and Commerce Code with the exception of the following:

Principle 1:

The Company shall be headed by an effective, qualified and expert board.

Principle 1 requires that the Company's Articles of Association (AOA) shall specify the requirements for executive, non-executive and independent directors whereas at least half of the directors shall be non-executive directors and at least three of whom shall be independent directors who meet the requirements set forth in Appendix 1 to the Code and also requires that the Chairman shall be an independent director and shall not, himself or his deputy, in any case be the Company's chief executive officer, in order to have a proper balance of powers and authorities and have greater substantive capacity for the Board of Directors to take decisions independently. However, the Company's Articles of Association (AOA) does not contain requirements for executive, non-executive and independent directors. Out of seven directors, four of them are independent directors. Mr. Garfield Jones (Managing Director) is the Deputy Chairman. Though Mr. Garfield Jones bears the title of Vice Chairman & Managing Director, the management of the day to day activities in practice is entrusted with the General Manager of the Company. The role of the Managing Director is the individual assigned by the Board to be the first point of contact between the Executive Management and the Board. The majorities (75%) of directors including the Chairman of the Committee are independent directors, and hence, the Board does not perceive a dilution of the independence and objectivity of the Board/Audit Committee. Rather, the inclusion of an executive director will provide valuable insights and a different perspective to the committee. The Company is in the process of amending the AOA.

Principle 3:

The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.

Principle 3 requires that the Audit Committee should consist of at least three directors and majority of them are independent, including Chairman of the Audit Committee. The current chairman of the Audit Committee is a non-independent director. The point relating to independent directors have been discussed in the Board of Directors meeting and they are of the opinion that these do not dilute the highest standards of corporate governance that the Company maintains and at present it is not possible to keep the required Board Committee composition as required by the Ministry of Industry and Commerce regulations. However, the Board of Directors have noted the point and commented that the Company will aim to formulate the Committees as per the regulatory requirements in due course.

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 6 requires that the Board of Directors should perform an annual review of succession plan for the Chief Executive Officer ("CEO"). The Company has not appointed a CEO and as per the Company structure, Mr. Garfield Jones is the managing director and Deputy Chairman of the Board. The Board of Directors has not performed an annual review of succession plan for Managing Director. The Company does not have a CEO and the General Manager performs the duties that is commensurate to those of a CEO.

Principle 7:

The Company shall communicate with shareholders, encourage their participation, and respect their rights.

Principle 7 requires from the Company to assign a specific section on their website thereof to describe shareholders' right to participate and vote at each shareholder's meeting, and not posted a significant document relating to meetings include invitations and minutes. However, the Company has not assigned a specific section on their website thereof to describe shareholders' right to participate and vote at each shareholder's meeting, and not posted a significant document relating to meetings include invitations and minutes. The notice and agenda of AGM is available on Bahrain Bourse. The notice and agenda of all AGMs are available on the Bahrain Bourse website. However, the Company is in the process of creating the necessary section on the website and will upload the relevant information as required to ensure adherence to the highest standards of transparency in governance matters.

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Principle 8:

The Company shall disclose its corporate governance.

Principle 8 requires from the Company to disclose the corporate governance code on the Company website and Corporate Governance Committee must have at least three independent directors. However, the corporate governance code is not disclosed on the Company website and the Corporate Governance Committee consists of four directors. Out of four directors, two directors are non independent. The point relating to independent directors have been discussed in the Board of Directors meeting and they are of the opinion that these do not dilute the highest standards of corporate governance that the Company maintains and at present it is not possible to keep the required Board Committee composition as required by the Ministry of Industry and Commerce regulations. However, the Board of Directors have noted the point and commented that the Company will aim to formulate the Committees as per the regulatory requirements in due course.

Principle 11:

The Company shall seek through social responsibility to exercise its role as a good citizen.

Principle 11 requires from the Company to formulate a corporate social responsibility policy and disclose the corporate social responsibility activities in the annual report. However, the Company does not formulate a corporate social responsibility policy and have not disclosed the corporate social responsibility activities in the annual report. The Company will formulate a policy for the corporate social responsibility.

Bahrain Family Leisure Company B.S.C. currently complies with all the provisions of the Central Bank of Bahrain Volume 6 HC Module with the exception of the following:

- (1) HC 1.4.6A of the CBB Rule Book Volume 6 relating to Corporate Governance requires that the Chairman and/or Deputy Chairman (of the Board) must not be the same person as the Chief Executive Officer. Mr. Garfield Jones (Managing Director) is the Deputy Chairman. As per HC B.3.3 "CEO" means a Company's Chief Executive Officer. Also, HC 3.2.4 of the CBB Rule Book volume 6 relating to Corporate Governance requires that the CEO must not be a member of the audit committee. Mr. Garfield Jones (Managing Director) is a member of the Audit Committee.

Though Mr. Garfield Jones bears the title of Vice Chairman & Managing Director, the management of the day to day activities in practice is entrusted with the General Manager of the Company. The role of the Managing Director is the individual assigned by the Board to be the first point of contact between the Executive Management and the Board. The majority (75%) of directors including the Chairman of the Committee are independent directors, and hence, the Board does not perceive a dilution of the independence and objectivity of the Board/Audit Committee. Rather, the inclusion of an executive director will provide valuable insights and a different perspective to the committee.

- (2) HC 7.4.4 of the CBB Rule Book Volume 6 relating to Corporate Governance requires a Company should dedicate a specific of its website to describing shareholders' rights to participate and vote to at each shareholders meeting and should post significant documents relating to meetings including the full text of notices and minutes. There is no section on the Company's website for describing shareholder rights. Full text of notices and minutes of AGM are also not posted on the website, though notice and agenda of AGM is available on Bahrain Bourse. The notice and agenda of all AGMs are available on the Bahrain Bourse website. However, the Company is in the process of creating the necessary section on the website and will upload the relevant information as required to ensure adherence to the highest standards of transparency in governance matters.
- (3) HC 1.8.6 of the CBB Rule Book Volume 6 relating to Corporate Governance requires that the board shall establish a Corporate Governance Committee of at least 3 independent directors. However, the current composition of the Corporate Governance Committee is of 2 independent and 2 non-independent directors. Also, HC 3.2.1 of the CBB Rule Book Volume 6 relating to Corporate Governance requires the Chairman of Audit Committee to be an independent director. The current chairman of the Audit Committee is a non-independent director.

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The above point relating to independent directors have been discussed in the Board of Directors meeting and they are of the opinion that these do not dilute the highest standards of corporate governance that the Company maintains and at present it is not possible to keep the required Board Committee composition as required by the CBB rule Book Volume VI. However, the Board of Directors have noted the point and commented that the Company will aim to formulate the Committees as per the regulatory requirements in due course.

Whistle Blower Policy

The Board of directors has adopted the corporate governance code and a company Whistle blower policy to monitor compliance with company ethics. The Code of Conduct provides clear directions on conducting business internationally, interacting with governments, communities, business partners and general workplace behaviour having regard to the best practice corporate governance models. The Code of Conduct sets out a behavioural framework for all employees in the context of a wide range of ethical and legal issues. The Code of Conduct will be published in the 'Corporate Governance' section of the Company's website.

Conflict of interest:

In 2019, no instances of conflict of interest have arisen. In the instance of a conflict of interest arising as a result of any business transaction or any type of resolution to be taken, the concerned Board member shall refrain from participating at the discussion of such transaction or resolution to be taken. In this respect, BFLC Board members usually inform the Board of a potential conflict of interest prior to the discussion of any transaction or resolution. The Board member(s) concerned would also refrain from voting in any instance where a conflict of interest shall arise.

12. Any disclosures required by the regulatory authorities.

No



Mr. Abdul Latif Khalid Al Aujan
Chairman of the Board



Date: 16/02/2020