

Gulf Hotels Group B.S.C.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 September 2020**

**Condensed consolidated interim financial information
for the nine months ended 30 September 2020**

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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Gulf Hotels Group BSC
Manama, Kingdom of Bahrain

10 November 2020

Introduction

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial information of Gulf Hotels Group BSC (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated statement of profit or loss for the three-month and nine-month period ended 30 September 2020;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2020; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'

Emphasis of matter

We draw attention to note 13 to the condensed consolidated interim financial information which describes the effect of the Coronavirus (COVID-19) pandemic on the Group's operations, its interim results and related uncertainties. Our conclusion is not modified in respect of this matter.


CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2020

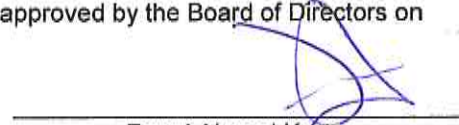
Bahraini Dinars

	Note	30 September 2020 (reviewed)	31 December 2019 (audited)
ASSETS			
Property and equipment	5	89,802,509	97,014,031
Investment properties		779,464	821,017
Equity accounted investees	6	8,140,584	9,350,303
Investment securities		12,669,343	13,366,358
Non-current assets		111,391,900	120,551,709
Inventories		2,364,667	3,146,191
Trade receivables		907,369	2,318,639
Other assets		3,797,948	3,579,605
Cash and bank balances		4,426,221	7,130,581
Current assets		11,496,205	16,175,016
TOTAL ASSETS		122,888,105	136,726,725
EQUITY			
Share capital		22,599,487	22,599,487
Share premium		17,514,442	17,514,442
Other reserves		23,822,401	24,820,309
Retained earnings		39,714,609	50,044,780
Total equity		103,650,939	114,979,018
LIABILITIES			
Employees' end of service benefits		1,200,081	1,489,246
Non-current portion of bank loan		8,802,000	11,736,000
Non-current liabilities		10,002,081	13,225,246
Trade payables		1,518,622	2,316,428
Accrued expenses and other payables		3,958,463	5,382,033
Current portion of bank loan		3,758,000	824,000
Current liabilities		9,235,085	8,522,461
Total liabilities		19,237,166	21,747,707
TOTAL EQUITY AND LIABILITIES		122,888,105	136,726,725

The condensed consolidated interim financial information was approved by the Board of Directors on 10 November 2020 and signed on its behalf by:


 Farouk Yousuf Almoayyed
 Chairman


 Garfield Jones
 Chief Executive Officer


 Fawzi Ahmed Kanoo
 Vice Chairman



 Charbel Sarkis
 Chief Financial Officer

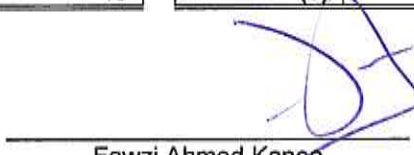
The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the nine months ended 30 September 2020

Bahraini Dinars

	Note	Nine months ended 30 September		Three months ended 30 September	
		2020 (reviewed)	2019 (reviewed)	2020 (reviewed)	2019 (reviewed)
Revenue		14,797,684	28,114,449	3,727,128	9,295,023
Operating costs		(9,426,460)	(15,797,339)	(2,572,261)	(5,336,820)
Gross profit		5,371,224	12,317,110	1,154,867	3,958,203
Dividend income		600,770	787,374	34,442	214,467
Management fee and other income		624,948	974,642	144,384	390,051
Share of profit from equity accounted investees	6	393,214	1,102,170	64,823	550,686
Interest income		56,504	71,340	7,875	9,507
Government assistance	13	658,203	-	177,382	-
Total income		7,704,863	15,252,636	1,583,773	5,122,914
Administrative staff cost		(2,091,046)	(2,476,969)	(712,459)	(824,158)
Interest expense		(535,335)	(724,142)	(179,747)	(241,296)
Pre-operating project expenses		-	(134,486)	-	-
Impairment allowance on trade receivables		(399,558)	(12,855)	(16,797)	(3,484)
Other operating expenses		(1,648,634)	(2,019,568)	(552,983)	(699,409)
Depreciation of property and equipment		(5,396,185)	(5,668,480)	(1,804,531)	(1,927,018)
(Loss)/Profit before impairment		(2,365,895)	4,216,136	(1,682,744)	1,427,549
Impairment on property and equipment	5	(2,315,810)	-	-	-
(LOSS)/PROFIT FOR THE PERIOD		(4,681,705)	4,216,136	(1,682,744)	1,427,549
BASIC AND DILUTED EARNINGS PER SHARE (IN FILS)		(21)	19	(8)	6


 Farouk Yousuf Almoayyed
 Chairman


 Fawzi Ahmed Kanoo
 Vice Chairman


 Garfield Jones
 Chief Executive Officer


 Charbel Sarkis
 Chief Financial Officer

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2020

Bahraini Dinars

	note	Nine months ended 30 September		Three months ended 30 September	
		2020 (reviewed)	2019 (reviewed)	2020 (reviewed)	2019 (reviewed)
(Loss)/profit for the period		(4,681,705)	4,216,136	(1,682,744)	1,427,549
Other comprehensive income: <i>Items that will not be reclassified to profit or loss:</i>					
Equity securities at FVOCI – net change in fair value		(697,025)	2,043,841	481,594	312,234
Investment in associates – share in investment in fair value reserve	6	(62,933)	46,182	27,246	(6,797)
Total other comprehensive income for the period		(759,958)	2,090,023	508,840	305,437
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(5,441,663)	6,306,159	(1,173,904)	1,732,986

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2020

Bahraini Dinars

	Share capital	Share premium	Other reserves				Retained earnings	Total equity
			Statutory reserve	General reserve	Charity reserve	Fair value reserve		
2020 (reviewed)								
As at 1 January 2020	22,599,487	17,514,442	11,299,744	5,000,000	2,207,221	6,313,344	50,044,780	114,979,018
Comprehensive income for the period:								
Loss for the period	-	-	-	-	-	-	(4,681,705)	(4,681,705)
Other comprehensive income for the period	-	-	-	-	-	(759,958)	-	(759,958)
Total comprehensive income for the period	-	-	-	-	-	(759,958)	(4,681,705)	(5,441,663)
Utilisation of donations reserve	-	-	-	-	(237,950)	-	-	(237,950)
Dividends declared for 2019	-	-	-	-	-	-	(5,648,466)	(5,648,466)
At 30 September 2020	22,599,487	17,514,442	11,299,744	5,000,000	1,969,271	5,553,386	39,714,609	103,650,939

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**for the nine months ended 30 September 2020** *(Continued)*

Bahraini Dinars

	Share capital	Share premium	Treasury shares	Other reserves				Retained earnings	Total equity
				Statutory reserve	General reserve	Charity reserve	Fair value reserve		
2019 (reviewed)									
As at 1 January 2019	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	4,899,289	50,166,694	113,684,506
Comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	4,216,136	4,216,136
Other comprehensive income for the period	-	-	-	-	-	-	2,090,023	-	2,090,023
Total comprehensive income for the period	-	-	-	-	-	-	2,090,023	4,216,136	6,306,159
Transfer on sale of investment securities	-	-	-	-	-	-	(702,406)	702,406	-
Sale of treasury shares	-	-	33,248	-	-	-	(3,708)	3,708	33,248
Utilisation of donation reserve	-	-	-	-	-	(6,382)	-	-	(6,382)
Dividends declared for 2018	-	-	-	-	-	-	-	(6,778,159)	(6,778,159)
At 30 September 2019	22,599,487	17,514,442	-	11,299,744	5,000,000	2,231,716	6,283,198	48,310,785	113,239,372

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2020

Bahraini Dinars

	note	30 September 2020 (reviewed)	30 September 2019 (reviewed)
Cash flows from operating activities			
(Loss) / Profit for the period		(4,681,705)	4,216,136
Adjustments for:			
Depreciation		5,396,185	5,668,480
Share of profit of associates	6	(393,214)	(1,102,170)
Dividend income		(600,770)	(787,374)
Interest income		(56,504)	(71,340)
Interest expense		535,335	724,142
Impairment of property and equipment		2,315,810	-
Impairment allowance on trade receivables		399,558	10,663
Allowance for slow-moving inventories		(1,200)	7,832
Provision for employees' end of service benefits		184,282	235,362
Profit for the period after adjustments		3,097,777	8,901,731
Change in operating assets and liabilities:			
Inventories		782,724	(20,389)
Trade and other receivables		793,359	(810,839)
Trade and other payables		(2,122,653)	(159,327)
Directors' remuneration paid		(240,300)	(247,000)
Employees' end of service benefits paid		(473,447)	(791,530)
Net cash from operating activities		1,837,460	6,872,646
Cash flows from investing activities			
Purchase of property and equipment		(425,837)	(2,067,105)
Disposal of property and equipment		(33,084)	157,853
Investment in equity accounted investee	6	(560,000)	-
Disposal of investment securities		-	2,537,581
Interest received		56,504	71,340
Dividend received from an associate	6	2,100,000	1,900,000
Other dividend received		600,770	787,374
Net cash from investing activities		1,738,353	3,387,043
Cash flows from financing activities			
Dividends paid		(5,602,597)	(6,677,518)
Repayment of bank loan		-	(5,440,000)
Donations paid		(237,950)	(36,247)
Sale of treasury shares		-	23,055
Interest paid		(439,626)	(724,025)
Net cash used in financing activities		(6,280,173)	(12,854,735)
Net decrease in cash and cash equivalents		(2,704,360)	(2,595,046)
Cash and cash equivalents at 1 January		7,130,581	6,024,549
Cash and cash equivalents as at 30 September		4,426,221	3,429,503

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020**

Bahraini Dinars

1. REPORTING ENTITY

Gulf Hotels Group B.S.C. (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 950 and listed on Bahrain Bourse. The postal address of the Company's registered head office is at P O Box 580, Manama, Kingdom of Bahrain.

This condensed consolidated interim financial information comprise the results of the Company and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2020.

The Group owns and operates the Gulf Hotel, Gulf Executive Residence Adliya and Juffair, the Gulf Convention Centre, Gulf Executive Offices, Gulf Court Hotel Business Bay in Dubai, GHG Colombo (retail) in Sri Lanka, Bahrain Tourism Company – Crowne Plaza Hotel Bahrain S.P.C. ("BTC"), Gulf Hotels Laundry Services, and Gulf Brands International in the Kingdom of Bahrain and provides other catering facilities. It also provides management services to The K Hotel and Asdal Gulf-inn Seef, Kingdom of Bahrain, and is a shareholder and operator of Ocean Paradise Resort, Zanzibar, Republic of Tanzania.

2. BASIS OF PREPARATION**(a) Statement of compliance**

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (IAS 34), Interim Financial Reporting, which permits the condensed consolidated interim financial information to be in summarised form. The condensed consolidated interim financial information does not include all of the information required for full set of IFRS financial statements and should be read in conjunction with the Group's last audited consolidated financial statements for the year ended 31 December 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2019.

(b) Judgements and estimates

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The areas of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the last audited consolidated financial statements as at and for the year ended 31 December 2019. However, the process of making the required estimates and assumptions involved further challenges due to the prevailing uncertainties arising from COVID-19 and required use of management judgements.

Expected credit losses

The economic uncertainties caused by COVID-19, and the volatility in oil prices impacting the Middle East economic forecasts have required the Group to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020. ECLs were estimated based on a range of forecast economic conditions as at that date and considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020

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2. BASIS OF PREPARATION (continued)

(c) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the last audited consolidated financial statements for the year ended 31 December 2019, except as described below:

▪ **Credit risk**

The Group has taken pre-emptive measures in the current situation to mitigate credit risk by adopting more cautious approach for setting credit limits for individual customers and enhanced monitoring of outstanding receivables.

▪ **Operational risk management**

The management of the Group has enhanced its monitoring to identify risk events arising out of the current situation and the changes in the way business is conducted and carried out a comprehensive review of the existing control environment. While these risks cannot be completely eliminated, the management is of the view that the Group did not have significant issues related to operational risks.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this condensed consolidated interim financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

A number of new standards and amendments have been issued and are effective from 1 January 2020. These did not have a material effect on this condensed consolidated interim financial information.

4. SEASONALITY OF OPERATIONS

Due to the nature of Hotel operations October to April is usually a busy season. Accordingly, the interim financial results may not represent a proportionate share of the annual results.

5. PROPERTY AND EQUIPMENT

During the period, the Group performed an impairment assessment of a piece of land based on a valuation by an external independent property valuer having recent experience in the location and category of the property being valued that resulted in an impairment of BD 2,315,810.

6. EQUITY ACCOUNTED INVESTEEES

During the period, the Group established a joint venture, Bahrain Airport Hotel Company W.L.L (BAHC), a private Company incorporated in the Kingdom of Bahrain and is involved in the hospitality business, with Gulf Air Group Holding Company, a Bahraini incorporated company and a 100% subsidiary of Mumtalakat, Government of Bahrain sovereign wealth fund. Although the Group owns 51% of paid up capital of the investee, the investment is accounted for as a joint venture through a shareholders' agreement. Joint ventures are accounted for under the equity method.

Movement on the carrying value of the equity accounted investees are as follows:

30 September 2020 (reviewed)

	African & Eastern	BFLC	BAHC	Total
Balance at 1 January 2020	8,117,445	1,232,858	-	9,350,303
Additional investment	-	-	560,000	560,000
Share of profit / (loss) for the period	737,866	(344,652)	-	393,214
Dividends received	(2,100,000)	-	-	(2,100,000)
Share of associates' cumulative changes in fair values	(62,933)	-	-	(62,933)
Balance at 30 September 2020	6,692,378	888,206	560,000	8,140,584

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the nine months ended 30 September 2020**

Bahraini Dinars

6 EQUITY ACCOUNTED INVESTEEES (continued)

30 September 2019 (reviewed)

	African & Eastern	BFLC	Total
Balance at 1 January 2019	7,880,419	1,683,113	9,563,532
Share of profit / (loss) for the period	1,469,635	(367,465)	1,102,170
Dividends received	(1,900,000)	-	(1,900,000)
Share of associates' cumulative changes in fair values	46,182	-	46,182
Balance at 30 September 2019	7,496,236	1,315,648	8,811,884

7. APPROPRIATIONS

The Shareholders approved the following appropriations for 2019 in their Annual General Meeting held on 15 April 2020 that were affected during the period:

	2020	2019
Cash dividends	5,648,466	6,778,159

Unpaid dividends as at 30 September 2020 are included within accrued expenses and other payables in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020

Bahraini Dinars

8. RELATED PARTY TRANSACTIONS

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 entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company. Transactions between related parties are on terms agreed between the parties.

Transactions with related parties during the period are as follows:

	For the nine-month period ended 30 September 2020						For the nine-month period ended 30 September 2019					
	Purchases	Revenue	Management fee income	Interest expense	Share of profit from associates	Dividends received	Purchases	Revenue	Management fee income	Interest expense	Share of profit from associates	Dividends received
Major shareholders and their affiliates	35,915	115,164	188,351	535,335	-	-	1,321,245	186,575	309,568	724,142	-	-
Associates (note 6)	13,403	75,909	-	-	393,214	2,100,000	417,288	47,313	-	-	1,102,170	1,900,000
Directors and related affiliates	26,762	584	-	-	-	-	-	27,709	-	-	-	-
	76,080	191,657	188,351	535,335	393,214	2,100,000	1,738,533	261,597	309,568	724,142	1,102,170	1,900,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020

Bahraini Dinars

8 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2020				31 December 2019			
	Trade receivables	Other receivables	Trade payables	Bank loan	Trade receivables	Other receivables	Trade payables	Bank loan
Major shareholders and their affiliates	184,410	193,174	302,356	12,560,000	319,886	143,409	64,908	12,560,000
Associates	11,045	-	-	-	27,043	-	283	-
Directors and related affiliates	6,447	-	-	-	17,221	-	-	-
	201,902	193,174	302,356	12,560,000	364,150	143,409	65,191	12,560,000

Compensation of key management personnel

Key management personnel are those persons having responsibility for planning, directing and controlling the activities of the Group. The remuneration of directors and members of key management during the period were as follows:

	Nine-month period ended 30 September	
	2020	2019
Salaries and short-term employee benefits	123,668	203,846
Post employment benefits	8,691	12,143
Directors attendance fees and remuneration	208,050	207,450
	340,409	423,439

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020

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8 RELATED PARTY TRANSACTIONS (continued)

Outstanding balances at the period end arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the nine-month period ended 30 September 2020, the Group has not recorded any impairment of amounts owed by related parties (nine-month period ended 30 September 2019: nil and year ended 31 December 2019: nil).

9. COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2020 Reviewed	31 December 2019 Audited
Letter of guarantees	<u>37,356</u>	<u>113,112</u>

As at 30 September 2020, the Group had commitments of BD 64,135 (2019: BD 702,824) relating to their capital projects.

10. FAIR VALUES

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Fair value hierarchy

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. ask prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020

Bahraini Dinars

10 FAIR VALUES (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

30 September 2020

Equity securities at FVOCI

Level 1	Level 2	Level 3	Total
10,144,013	-	2,525,330	12,669,343

31 December 2019

Equity securities at FVOCI

Level 1	Level 2	Level 3	Total
10,841,028	-	2,525,330	13,366,358

Equity securities at FVOCI in the level 3 hierarchy comprise of unquoted equity investments, which are fair valued primarily based on market multiples of comparable companies using level 3 input.

There has been no movement in the level 3 investments during the period.

11. SEGMENTAL INFORMATION FOR OPERATING SEGMENTS

For management purposes, the Group is organized into four main business segments:

Hotel operations - Hotel room and rental and management of executive apartments and offices and provisioning of automatic laundry services.

Food and beverage - Retail sale of food and beverages and convention operations.

Investments and other activities - Investment activities of the Group.

The operations of Gulf Brands International and the retail sales of food and beverages of the Gulf Hotel and the convention operations of the Gulf Convention Center have been aggregated for segmental reporting.

Segment assets include all operating assets used by a segment and consist primarily of property and equipment, inventories 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 or more segments are allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of trade and other payables.

The Group operates substantially in the Kingdom of Bahrain.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020

Bahraini Dinars

11 SEGMENT INFORMATION (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Three-month ended 30 September								
Gross operating revenue	833,576	3,189,461	2,893,552	6,105,562	-	-	3,727,128	9,295,023
Gross operating costs	(80,004)	(1,066,054)	(2,492,257)	(4,270,766)	-	-	(2,572,261)	(5,336,820)
Gross operating profit	753,572	2,123,407	401,295	1,834,796	-	-	1,154,867	3,958,203
Investment income	-	-	-	-	99,265	765,153	99,265	765,153
Interest income	-	-	-	-	7,875	9,507	7,875	9,507
Management fee and other income	55,762	135,240	405	3,787	88,217	251,024	144,384	390,051
Government assistance	120,770	-	23,376	-	33,236	-	177,382	-
Interest expense	-	-	-	-	(179,747)	(241,296)	(179,747)	(241,296)
Administrative staff cost	(502,393)	(526,449)	(47,273)	(66,063)	(162,793)	(231,646)	(712,459)	(824,158)
Depreciation	(1,174,317)	(1,134,275)	(569,829)	(645,769)	(60,385)	(146,974)	(1,804,531)	(1,927,018)
Impairment allowance on trade receivables	(16,797)	(3,484)	-	-	-	-	(16,797)	(3,484)
Other operating expenses	(375,468)	(663,172)	-	-	(177,515)	(36,237)	(552,983)	(699,409)
Segment profit / (loss) for the period	(1,138,871)	(68,733)	(192,026)	1,126,751	(351,847)	369,531	(1,682,744)	1,427,549

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020

Bahraini Dinars

11 SEGMENT INFORMATION (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Nine-month ended 30 September								
Gross operating revenue	4,319,588	9,316,262	10,478,096	18,798,187	-	-	14,797,684	28,114,449
Gross operating costs	(2,307,994)	(4,293,898)	(7,118,466)	(11,503,441)	-	-	(9,426,460)	(15,797,339)
Gross operating profit	2,011,594	5,022,364	3,359,630	7,294,746	-	-	5,371,224	12,317,110
Investment income	-	-	-	-	993,984	1,889,544	993,984	1,889,544
Interest income	-	-	-	-	56,504	71,340	56,504	71,340
Management fee and other income	174,718	279,583	6,875	10,923	443,355	684,136	624,948	974,642
Government assistance	530,606	-	61,763	-	65,834	-	658,203	-
Interest expense	-	-	-	-	(535,335)	(724,142)	(535,335)	(724,142)
Administrative staff cost	(1,307,640)	(1,565,591)	(206,416)	(202,081)	(576,990)	(709,297)	(2,091,046)	(2,476,969)
Depreciation	(3,508,571)	(3,311,924)	(1,707,662)	(1,915,061)	(179,952)	(441,495)	(5,396,185)	(5,668,480)
Pre-operating project expenses	-	-	-	-	-	(134,486)	-	(134,486)
Impairment on property and equipment	-	-	-	-	(2,315,810)	-	(2,315,810)	-
Impairment allowance on trade receivables	(206,890)	(12,855)	(159,444)	-	(33,224)	-	(399,558)	(12,855)
Other operating expenses	(1,337,305)	(1,787,196)	-	-	(311,329)	(232,372)	(1,648,634)	(2,019,568)
Segment profit / (loss) for the period	(3,643,488)	(1,375,619)	1,354,746	5,188,527	(2,392,963)	403,228	(4,681,705)	4,216,136

	Hotel room operations		Food and beverage		Investment and other activities		Consolidated	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Total assets	57,735,605	69,638,005	34,065,330	39,404,171	31,087,170	27,684,549	122,888,105	136,726,725
Total liabilities	3,336,944	6,470,301	2,392,308	1,849,212	13,507,914	13,428,194	19,237,166	21,747,707
Capital expenditure *	373,075	1,360,621	51,299	127,959	1,463	578,525	425,837	2,067,105

*Comparative for capital expenditure is for the period ended 30 September 2019.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2020**

Bahraini Dinars

12. COMPARATIVES

The corresponding figures have been regrouped where necessary to conform to the current period's presentation. Such regroupings did not affect previously reported profit for the period, comprehensive income for the period or total equity.

13. IMPACT OF COVID-19

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices.

Measures taken by the Government of Bahrain and governments of countries where the Group operates to contain the effect of the pandemic have had a direct and/ or knock-on impact on the Group including travel restrictions, quarantines measures, closure of businesses and cancelation of flight to and from Bahrain which impacted the number of tourist to the country.

Management and the Board of Directors (BOD) has been closely monitoring the developments of the pandemic and its impact on the Group's operations and financial position; including liquidity, loss of revenue, asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The BOD is confident with the resources under its disposal, that the Group will continue as a going concern entity for the next 12 months from the date of this condensed consolidated interim financial information.

The Government of Kingdom of Bahrain has announced various economic programmes ("Packages") to support businesses in these challenging times. The Group received a total subsidy of BD 658,203 comprising BD 493,749 towards staff costs and BD 164,454 towards utilities. These amounts have been accounted for as government grant in accordance with IAS 20 and have been included as income in the condensed consolidated statement of profit or loss.

Unreviewed Supplementary Information
Impact of COVID-19



The unprecedented COVID-19 outbreak at the beginning of 2020 came with dire consequences. Actions taken by countries across the globe rolled in a domino effect throughout the globalized economy. The closedown impacted many industries out of which airline and hospitality were the biggest losers. The factors that affected the Group were mostly:

- Almost total inexistence of international travelers and tourists visiting Bahrain
- The closure of King Fahad Causeway had a substantial toll on Bahrain, depriving the most dependant sector on Saudi's influx, hotels, and restaurants.
- On top of that, the suspension of normal restaurant operation (except takeaway), for almost five months period, dragged this sector revenue to the lowest ever seen; major losses were incurred despite all measures and actions taken by the management to mitigate the crisis.
- The restriction on gatherings and meetings resulted in the cancellation of all meetings, events, and weddings.
- The ordinance to close retail businesses impacted our stores' and outlets; nevertheless, the management readiness boosted the eCommerce channels, which alleviated as an all-time operating revenue stream.
- There was a significant slowdown to the entire supply chain.
- Creditors' inability to fulfill their commitments, led to an increase in provisions.
- Inventories were expiring as a consequence of poor or no demand.
- Projects were put on hold, except for the Airport Hotel planned to open in a few weeks.
- Increase in cybersecurity risks
- Lack of employees' confidence in jobs' continuity.

In light of the above challenges, the Gulf Hotels Group trading was hugely affected and the Group's management strived to minimize the damage from the biggest crisis to face by the Group in its fifty years of history. The major challenges included:

- Zero income was reported by some units against large fixed and operational costs.
- A decrease in lease revenues.
- Trade imbalance.
- Cutting through the restructuring of the workforce across the entire hierarchy.
- Cutting costs via extreme controls.
- Embracing a suddenly emerging shift towards change.
- Embracing remote working as a contingency to safeguard our staff.
- Introducing a raft of new procedures, particularly in the area of hygiene and sanitation.
- Creating exhaustive weekly reports for sound and timely decision making as crisis response.
- Rapid response to track and trace any possible positive virus case, isolating staff to keep the team at large safe.
- Changes to the marketing plan to address customer concerns of hygiene and safety during the pandemic
- Mitigating a global economic downturn resulting in lesser consumer spending along with a decrease in consumers' confidence.
- Accepting that losses to incur are inevitable facts and the most important is keeping the business afloat as the top priority.

While uncertainty reigns about reopening some sections of the business and what the "new normal" will be, our approach is focused on the best practices during this current period:

- By improving the health and safety standard operating procedures and techniques
- Adopting the best practices to safeguard our staff, our clients and preventing virus transmission
- Practicing cash disinfection and utilizing wireless payment technologies.
- Rotating staff to support other divisions where the business exists.
- Sharing resources across the Group.



- Empowering the Shared Services Center to reduce overheads.
- Attending all actions that can be taken as stated by laws and regulations.
- Financially developing forecast models simulating all possible scenarios, and actions.
- Benefiting in all extents from our Research and Sourcing (Procurement) functions.
- Avoiding any outsourcing by benefiting our staff and senior management soft skills in multitasking roles.

The above summarizes the impact of the crisis from an operational perspective, while our financials have recorded for the first nine months of the year 2020 a GOP of BD 5.37m reflecting the Group's ability to generate cash in very difficult trading conditions, while the net loss of BD 4.68m is substantiated as follows:

- 1- A 52.6% decrease in sales
- 2- Most of the constant elements remained the same as the previous year i.e. depreciation and loan interest.
- 3- BD 386,703 increase in provisions for doubtful debts.
- 4- Impairment of land BD 2.3m

We are not foreseeing any going concern qualification for GHG despite the adverse decrease in revenue, that we aligned with a decrease in costs in general, and optimization of our costs of sales; any recorded losses won't have a severe impact on the equity of the company. GHG's business structure is continuously evolving and scrapping unnecessary processes or roles; GHG doesn't have any legal challenges; finally, GHG has robust accounting and reporting systems in place with a professional team continuously monitoring and reporting trends and financial indicators.

Nevertheless, the outlook may not seem as obscure as the past nine months, since the vaccine availability had become a reality, diverse types of cures are getting announced and applied in different countries, while the Government's successful containment plans have proven efficient for maintaining the country's rates at very acceptable levels, life and economy cycles remain in motion.

GHG's future cash flows' forecasts do not raise any red flags about the business "going concern" when it comes to working capital and liquidity; even in the worst-case scenarios, GHG's financial and shareholders have ample resources to continue to operational existence for a year to come.

The below statutory auditors' condensed interim financial information for the nine months ended 30 September 2020 are as follows:

<u>Financial statement area</u>	<u>Nature of impact</u>	<u>Amount <BD></u>
Operating Income	Decreases	(13,316,765)
Government grants	Increase	658,203
Property impairment	Increase	(2,315,810)
Impairment allowance of trade receivable	Increase	(386,703)
Accumulated losses		(4,681,705)

No other significant impact has been noted by the management on other financial statement areas during the period ended 30 September 2020.