Gulf Hotels Group
B.S.C

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2020

Gulf Hotels Group B.S.C.

Consolidated Financial Statements
For the year ended 31 December 2020

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GENERAL INFORMATION

Gulf Hotels Group B.S.C. ("the Company") is a public joint stock company domiciled in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 950.

SHARE CAPITAL

Authorised	: BD 30,000,000 (2019: BD 30,000,000) divided into 300,000,000 shares (2019: 300,000,000 shares) of 100 fils each
Issued and fully paid-up	: BD 22,599,487 (2019: BD 22,599,487)

BOARD OF DIRECTORS

: Farouk Yousuf Almoayyed (Chairman)
: Fawzi Ahmed Kanoo (Vice Chairman)
: Mohamd Husain Ali Yateem
: Khalid Mohamed Kanoo
: Ahmed Mohamed Ali Mohamed Janahi
: Oliver Harnisch
: Khalid Hussain Ali Mohammed Taqi
: Mohammed Jassim Buzizi
: Adel Husain Mahdi Al Maskati
: Jassim Abdulaal

EXECUTIVE COMMITTEE

: Mohamed Husain Ali Yateem (Chairman)
: Fawzi Ahmed Kanoo (Vice Chairman)
: Ahmed Mohamed Ali Mohamed Janahi
: Mohammed Jassim Buzizi

CORPORATE GOVERNANCE COMMITTEE

: Farouk Yousuf Almoayyed (Chairman)
: Jassim Abdulaal

AUDIT COMMITTEE

: Jassim Abdulaal (Chairman)
: Khalid Mohamed Kanoo
: Khalid Hussain Ali Mohammed Taqi
: Adel Husain Mahdi Al Maskati

INVESTMENT COMMITTEE

: Farouk Yousuf Almoayyed (Chairman)
: Mohamed Husain Ali Yateem
: Ahmed Mohamed Ali Mohamed Janahi
: Khalid Hussain Ali Mohammed Taqi

GENERAL INFORMATION (Continued)

REMUNERATION COMMITTEE

: Farouk Yousuf Almoayyed (Chairman)
: Mohammed Jassim Buzizi
: Jassim Abdulaal

MANAGEMENT

: Garfield Jones Chief Executive Officer
: Charbel Sarkis Chief Financial Officer

BOARD'S SECRETARY

: Shaheed Elaiwi

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PO Box 710
Building 470
Manama, Kingdom of Bahrain
BDO Jawad Habib
PO Box 787
17th Floor, Diplomat commercial office tower
Manama, Kingdom of Bahrain

BANKERS : National Bank of Bahrain
: Mashreq Bank Bahrain
: Mashreq Bank Dubai
: Bank of Bahrain and Kuwait
: Ahli United Bank
: Standard Chartered Bank
: National Bank of Kuwait
: SICO
: Commercial Bank of Srilanka
: Emirates NBK - Dubai

REGISTRARS : Karvy Computershare WLL
Office No 74 , Al Zamil Tower
Manama , Kingdom of Bahrain

LISTING : Bahrain Bourse
PO Box 3203
Manama, Kingdom of Bahrain

PRINCIPAL LAWYERS : Essa Ebhrahim Mohammed Law Office
PO Box 11021
Manama, Kingdom of Bahrain
: Hassan Radhi & Associates
PO Box 5366
605 Diplomat Tower
Manama, Kingdom of Bahrain
: Nezar Raees & Associates
PO Box 1380
Gulf Executive Offices, Gulf Hotel
Manama, Kingdom of Bahrain

INSURANCE CONSULTANTS
: Marsh (Bahrain) CO S.P.C
PO Box 3237
1st Floor, Unitag House
150 Government Avenue
Manama, Kingdom of Bahrain

On behalf of the Board of Directors, I have the pleasure of submitting the Annual Report and Financial Statements of the Gulf Hotels Group BSC, for the year ended 31st December 2020.

The Board offers our condolences and prayers over the sad demise of His Royal Highness Prince Khalifa bin Salman Al Khalifa and also extends our sincere condolences and sympathy to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and Prime Minister, members of the Royal Family and people of Bahrain.

MARKET TRENDS AND COMPARATIVE PERFORMANCE

During 2020, the Covid-19 impact on the Travel and Tourism Sector was and remains exceptionally challenging. Various measures taken to ensure the safety of Bahrainis and Bahrain Residents, resulted in the restriction of international and regional travel into Bahrain and the closure of food and beverage outlets, spas and leisure facilities for many months, having an enormous impact on revenues. The huge drop in demand also fueled a fall in the Average Room Rate as hotels were offering very low rates in order to attract what little business there was.

The closure of the King Fahad Causeway since March 2020 not only deprived the hospitality industry of its major source of business but also had a significant negative impact on the retailing side of GHG's business.

A similar impact on business was felt in our overseas operations with GHG Colombo, Ocean Paradise Resort in Zanzibar and the Gulf Court Hotel Business Bay in Dubai being equally affected as our Bahrain businesses, although the latter two were showing strong signs of recovery towards the end of the year.

However, the most important issue throughout this pandemic has been the safety of Bahrain's citizens and residents and our dedicated teams in each of our operations have gone the extra mile to comply with and exceed all precautionary measures that were put in place and to ensure the safety of our customers and staff.

We are exceptionally grateful for our Government's prompt action to limit the spread of the coronavirus and for their financial support in sustaining businesses through the most difficult days of the pandemic. We also commend the Government on the vaccination process that is currently underway, that places Bahrain as one of the leading countries to vaccinate its population, which will in turn, hasten a return to a more normal business climate.

Despite the huge downturn in our business, the Group managed to maintain a positive cash position throughout the year and remains strong and well equipped to bounce back in 2021.

RESULTS

- Gross Operating Revenue amounted to BD 19,735,630
- Gross Operating Profit amounted to BD 7,430,016
- Net Loss amounted to BD 8,127,985

The drop in revenue of BD 18,834,180 or 48.8% against last year is attributed across the group's units to the Covid-19 pandemic. This resulted in a net loss of BD 8,127,985 a drop on last year of BD 14,078,115 or 236.6%.

In addition to the drop in revenues resulting from the pandemic, the Group has impaired two plots of land in Dubai and Bahrain and Dubai property by BD 5m, and increased its doubtful provision by BD 576K.

Profit from associates reduced by BD 954K, also the dividend received reduced by BD 185K which contributed to the overall loss. On the other hand, Government support reached BD 923K.

PROPOSED APPROPRIATIONS

Taking into account the results achieved by the company and keeping in mind the Group's financial commitment and the uncertain trading conditions will continue to impact on cash flows in 2021, the Directors are proposing dividend distributions at 10% BD2,259,386 equal to 10 fils per share.

FUTURE PROSPECTS

With the exception of the new Bahrain Airport Hotel development, located within the new Bahrain International Airport terminal, all other major projects were put on hold in 2020. The new 84 until hotel, featuring Family Rooms, Standard Rooms, Compact Rooms and Sleeping Pods, is a Joint Venture between Gulf Hotels Group and Gulf Air Group and is nearing completion with the opening scheduled early in 2021.

Acknowledgments

On behalf of the shareholders of Gulf Hotels Group BSC, the Board of Directors would like to express sincere gratitude and appreciation to H.M. King Hamad Bin Isa Al Khalifa, H.R.H. Prince Salman Bin Hamad Al Khalifa, the Crown Prince and the Prime Minister, the Ministers, Undersecretaries, Directors, and Heads of Government Departments, for the immeasurable interest, guidance, and encouragement accorded to Gulf Hotels Group BSC.

We extend the same sentiments to our clients, patrons, and most of all, the people of Bahrain. We thank you for your continued support, trust, and confidence as we strive for progress.

The success of the Company in a very challenging year would not have been possible without the hard work and dedication of the Company's management and staff. The Board of Directors joins me in revealing our appreciation to the entire Gulf Hotels Group Management Team under the guidance of Garfield Jones, Chief Executive Officer. We also thank the management and all our divisions' staff who have worked tirelessly to produce the best possible results in challenging conditions. We are privileged to have such a committed and capable team and are confident that this team will continue to generate the best possible results in the future.

Farouk Yousuf Almoayyed
Chairman of the Board

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CR No. 6220

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
Gulf Hotels Group BSC
Manama, Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion
We have audited the accompanying consolidated financial statements of Gulf Hotels Group BSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independent Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated 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.

Embassies of matter -impact of Covid 19
We draw attention to Note 4 and Note 26 (c) to the consolidated financial statements which describes the effect of the COVID-19 pandemic on the Group's operations, its results and related uncertainties. Our opinion is not modified in respect of this matter.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 and equipment
(refer to accounting policy in Note 3(p) and Note 5 to the consolidated financial statements)

Description	**How the matter was addressed in our audit**
We focused on this area because: ▪ of the significance of property and equipment which make up 72% of total assets (by value); and ▪ assessment of indicators of impairment and estimation of recoverable amount by the Group involves significant judgement and estimation uncertainty especially in the current operating environment arising from Covid-19.	Our procedures included: ▪ We involved our own valuation specialists in: ➢ evaluating the Group's process of identifying possible indicators of impairment of the property and equipment; ➢ evaluating the appropriateness of the impairment assessment methodology used by the external, independent valuers; and ➢ challenging the reasonableness of key assumptions and input used in estimating the recoverable amount of the property. ▪ evaluating the adequacy of the Group's disclosures related to impairment of property and equipment in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Gulf Hotels Group 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 consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's 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 consolidated 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 consolidated 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 consolidated 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 the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)

Gulf Hotels Group BSC (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 consolidated 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 matters

1) As required by the Commercial Companies Law, we report that:
   a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
   b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;
   c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
   d) satisfactory explanations and information have been provided to us by management in response to all our requests.
2) As required by the Ministry of Industry, Commerce and Tourism 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) appointed 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 Jalil AlAali.

KPMG Fakhro
Partner registration number 100
28 February 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2020

Bahraini Dinars

	Note	31 December 2020	31 December 2019
ASSETS			
Property and equipment	5	85,235,020	97,014,031
Investment properties	6	765,613	821,017
Equity accounted investees	7	8,564,656	9,350,303
Investment securities	8	13,164,149	13,366,358
Total non-current assets		**107,729,438**	120,551,709
Inventories	9	2,738,257	3,146,191
Trade receivables	10	653,210	2,318,639
Other assets	11	3,422,022	3,579,605
Cash and cash equivalents	12	4,237,306	7,130,581
Total current assets		**11,050,795**	16,175,016
Total assets		**118,780,233**	136,726,725
EQUITY			
Share capital	13	22,599,487	22,599,487
Share premium		17,514,442	17,514,442
Other reserves	14	24,239,290	24,820,309
Retained earnings		36,268,329	50,044,780
Total equity		**100,621,548**	114,979,018
LIABILITIES			
Employees' end of service benefits	15	1,173,882	1,489,246
Non-current portion of bank loan	16	7,758,000	11,736,000
Total non- current liabilities		**8,931,882**	13,225,246
Trade payables	17	1,937,589	2,316,428
Accrued expenses and other liabilities	18	3,207,214	5,382,033
Current portion of bank loan	16	4,082,000	824,000
Total current liabilities		**9,226,803**	8,522,461
Total liabilities		**18,158,685**	21,747,707
Total equity and liabilities		**118,780,233**	136,726,725

The consolidated financial statements were approved by the board of directors on 28 February 2021 and signed on its behalf by:

Farooq Yousuf Almoayyed
Chairman

Fawzi Ahmed Kanoo
Vice Chairman

Garfield Jones
Chief Executive Officer

Charbel Sarkis
Chief Financial Officer

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

Bahraini Dinars

	Note	2020	2019
Revenue	19	19,735,630	38,569,810
Operating costs	20	(12,305,614)	(21,379,281)
Gross profit		**7,430,016**	17,190,529
Dividend income		602,147	787,374
Management fee and other income	21	903,431	1,288,465
Share of profit from equity accounted investees	7	653,573	1,607,916
Government grant	22	922,878	-
Interest income		65,999	83,950
Total income		**10,578,044**	20,958,234
Administrative staff cost		2,671,281	3,343,607
Depreciation of property and equipment	5	7,323,511	7,597,267
Interest expense		727,049	895,839
Pre-operating project expenses		-	134,486
Impairment allowance on trade receivables	10	608,895	32,769
Other operating expenses	23	2,310,613	3,004,136
(Loss)/profit before impairment on property and equipment		**(3,063,305)**	5,950,130
Impairment on property and equipment	5	(5,064,680)	-
(Loss)/profit for the year		**(8,127,985)**	5,950,130
Basic and diluted earnings per share (fils)	13	(36)	26

Farooq Yousuf Almoayyed
Chairman

Fawzi Ahmed Kanoo
Vice Chairman

Garfield Jones
Chief Executive Officer

Charbel Sarkis
Chief Financial Officer

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020 *Bahraini Dinars*

	Note	**2020**	2019
(Loss)/profit for the year		**(8,127,985)**	5,950,130
Other comprehensive income:			
Items that will not be classified to profit or loss:			
Equity securities at FVOCI – net change in fair value	8	(202,209)	2,041,314
Investment in associates – share in investment fair value reserve	7	(51,220)	78,855
Total other comprehensive income for the year		***(253,429)***	*2,120,169*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(8,381,414)**	8,070,299

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

Bahraini Dinars

			Other reserves					
2020	**Share capital**	**Share premium**	**Statutory reserve**	**General reserve**	**Charity Reserve**	**Investment fair value reserve**	**Retained earnings**	**Total equity**
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 year:								
Loss for the year	-	-	-	-	-	-	(8,127,985)	(8,127,985)
Other comprehensive income for the year	-	-	-	-	-	(253,429)	-	(253,429)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(253,429)**	**(8,127,985)**	**(8,381,414)**
Utilisation of donation reserve	-	-	-	-	(327,590)	-	-	(327,590)
Dividends declared for 2019	-	-	-	-	-	-	(5,648,466)	(5,648,466)
At 31 December 2020	**22,599,487**	**17,514,442**	**11,299,744**	**5,000,000**	**1,879,631**	**6,059,915**	**36,268,329**	**100,621,548**

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020 *(continued)* *Bahraini Dinars*

2019	Share capital	Share premium	Treasury shares	Other reserves: Statutory reserve	Other reserves: General reserve	Other reserves: Charity Reserve	Other reserves: Investment fair value reserve	Retained earnings	Total equity
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 year:									
Profit for the year	-	-	-	-	-	-	-	5,950,130	5,950,130
Other comprehensive income for the year	-	-	-	-	-	-	2,120,169	-	2,120,169
Total comprehensive income for the year	-	-	-	-	-	-	2,120,169	5,950,130	8,070,299
Transfer on sale of investment securities at FVTOCI	-	-	-	-	-	-	(702,406)	702,406	-
Sale of treasury shares	-	-	33,248	-	-	-	(3,708)	3,708	33,248
Utilisation of donation reserve	-	-	-	-	-	(30,877)	-	-	(30,877)
Dividends declared for 2018	-	-	-	-	-	-	-	(6,778,158)	(6,778,158)
At 31 December 2019	22,599,487	17,514,442	-	11,299,744	5,000,000	2,207,221	6,313,344	50,044,780	114,979,018

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020 *Bahraini Dinars*

	Note	2020	2019
Cash flow from operating activities			
(Loss)/profit for the year		**(8,127,985)**	5,950,130
Adjustments for:			
Depreciation		7,323,511	7,597,267
Share of profit from equity accounted investees	6	(653,573)	(1,607,916)
Dividend income		(602,147)	(787,374)
Interest income		(65,999)	(83,950)
Interest expense		727,049	895,839
Impairment of property and equipment		5,064,680	-
Impairment allowance on trade and other receivables		608,895	32,769
Provision/(reversal) for allowance for slow moving inventories		7,773	(6,309)
Provision for employees' end of service benefits		240,415	312,826
Profit for the year after adjustments		**4,522,619**	12,303,282
Change in operating assets and liabilities:			
Inventories		400,161	299,121
Trade and other receivables		1,214,117	(1,105,684)
Trade and other liabilities		(2,392,364)	150,964
Directors' remuneration paid		(273,900)	(277,000)
Employees' end of service benefits paid		(555,779)	(961,564)
Net cash from operating activities		**2,914,854**	10,409,119
Cash flow from investing activities			
Purchase of property and equipment		(554,667)	(2,152,644)
Disposal of investment securities		891	2,537,581
Investment in joint venture		(712,000)	-
Interest received		65,999	83,950
Dividend received from an associate	7	2,100,000	1,900,000
Dividends received from investment securities		602,147	863,529
Maturity of deposits over 90 days		-	575,949
Net cash from investing activities		**1,502,370**	3,808,365
Cash flow from financing activities			
Dividends paid		(5,662,383)	(6,734,687)
Sale of treasury shares		-	23,055
Payments for donations		(327,590)	(54,361)
Interest paid		(600,526)	(905,459)
Repayment of bank loan		(720,000)	(5,440,000)
Net cash used in financing activities		**(7,310,499)**	(13,111,452)
Net (decrease)/increase in cash and cash equivalents		**(2,893,275)**	1,106,032
Cash and cash equivalents at 1 January		7,130,581	6,024,549
Cash and cash equivalents as at 31 December	12	**4,237,306**	7,130,581

The accompanying notes 1 to 30 are an integral part of these consolidated financial statements.

1 Reporting entity

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

These consolidated financial statements comprise the results of the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in providing hospitality services.

The Group owns and operates the Gulf Hotel and Crown plaza Hotels in the Kingdom of Bahrain and Gulf Court Hotel Business Bay in Dubai, UAE. The Group also provides management services to The K Hotel and Asdal Gulf-inn Seef, in the Kingdom of Bahrain, and is a shareholder and operator of Ocean Paradise Resort, Zanzibar, Republic of Tanzania.

The Group's significant subsidiaries and associates are as follows:

Subsidiary	**Ownership interest**	**Date of incorporation**	**Country**	**Activities**
Gulf Hotels Management Company S.P.C.	100%	4 December 2002	Bahrain	Managing hotels and restaurants and provision of catering services catering services.
Gulf Hotel Laundry Services	100%	1 February 2014	Bahrain	Provision of laundry services.
Bahrain Tourism Company – Crowne Plaza hotel	100%	31 May 2016	Bahrain	Hotel operations
Gulf Court Hotel Business Bay	100%	07-Mar-2018	UAE	Hotel operations

2 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the Commercial Companies Law.

Going concern basis of accounting

The board of directors continues to be confident that the Group has adequate resources to continue its operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.(refer Note 4(a) on impact of COVID-19 and Note 26 on liquidity).

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost basis, except for investment securities which are measured at fair value through other comprehensive income.

c) Functional and presentation currency

These consolidated financial statements are presented in Bahrain Dinar, which is also the Group's functional currency. Unless otherwise stated, all financial information presented has been rounded off to the nearest Dinar.

d) Use of significant judgments and estimates

The preparation of these consolidated 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 estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Judgments

In the process of applying the Group's accounting policies management has made certain estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements. Actual results may differ from these estimates.

Going concern

Whether there are material uncertainties that may casts significant doubt on the entity's ability to continue as a going concern.(refer Note 4(a) on impact of COVID-19 and Note 26 on liquidity)

Impairment of property and equipment

The carrying amount of the Group's property and equipment is reviewed at every reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is recognised whenever the carrying value of the asset exceeds its estimated recoverable amount (refer to Note 3(p)) and Note 5.

e) New standards, amendments and interpretations effective from 1 January 2020

There were no new standards, amendments to standards and interpretations, which became effective as of 1 January 2020, that were relevant and material to the Group.

f) New standards, amendments and interpretations issued by not yet effective

IAS 1 – classification of liabilities as current and non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further, 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments – e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group does not expect a significant impact on its consolidated financial statements from adopting this amendment.

3 Significant accounting policies

The significant accounting polices applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the statement of profit or loss. Any interest retained in the former subsidiary is measured at measured at fair value when control is lost.

(iii) Non-controlling interests (NCI)

Non-controlling interests represents their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transaction.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

(v) Equity accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other comprehensive Income of equity accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of equity accounted investee. Dividend received from equity accounted investee is recognised as a reduction in the carrying amount of the investment.

(vi) Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

b) Foreign currency
Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

c) Revenue
The Group generates revenue primarily on letting hotel rooms and sale of food and beverages. The Group recognises revenue when it transfers control over a food or a service to a customer.

i) Letting hotel rooms
Revenue from letting hotel rooms is recognised over the period of the stay of the customer.

ii) Sale of food and beverages
Revenue from sale of food and beverages is recognised at a point in time when the food and beverage is delivered and have been accepted by the customer. Invoices are generated at that point in time.

iii) Management fees
Management fees are recognised when the services are rendered as determined by the management agreement. The variable consideration related to the fees is estimated as per the agreement and constrained until it is highly probable that there is no significant uncertainty regarding the amount of consideration.

iv) Rental income
Revenue from property leased out under an operating lease are recognised on a straight-line basis over the term of the lease.

v) 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.

vi) Dividend income
Dividend is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

d) Employee Benefits

Bahraini employees
Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation, which is a “defined contribution scheme” in nature under IAS 19 ‘Employee Benefits’, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis.

Expatriate employees
Expatriate employees on fixed contracts are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 2012, based on length of service and final remuneration. Provision for this unfunded commitment, which is a “defined benefit scheme” in nature under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

3 Significant accounting policies (continued)

e) Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost includes expenditure incurred on acquiring the inventories and bringing them in their existing location and condition.

f) Property and equipment

i. Recognition and measurement
Items of property and equipment held for use in the provision of service or for administrative purposes on a continuing basis and not intended for sale in the ordinary course of business are carried at cost less accumulated depreciation and impairment losses, if any.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as a separate items (major components) of property and equipment.

ii. Subsequent measurement
Subsequent costs are included in the assets carrying amount or are recognized as a separate asset as appropriate only when it is probable that future economic benefits associated with the component will flow to the Company and the cost of the component can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

iii. Depreciation
Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings on freehold land • original structure • subsequent improvements	 40 years Over the remaining life of the buildings they relate to, or earlier, as appropriate
Furniture, fittings and office equipment	2 to 7 years
Plant, equipment and motor vehicles	2 to 10 years

An item of property, plant and equipment and any significant part initially recognised 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 amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date.

g) Investment property
Investment properties are properties held to earn rentals or for capital appreciation or both. They are measured at cost, including transaction costs, less accumulated depreciation and accumulated impairment, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation on investment properties is calculated on a straight-line method over the estimated useful lives normally 30 years.

A gain or loss on disposal of investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss.

3 Significant accounting policies (continued)

h) Financial instruments

i. Recognition and initial measurement
Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

ii. Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost or equity security at fair value through other compressive income (FVTOCI)

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 security that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an security-by-security basis.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

3 Significant accounting policies (continued)

h) Financial instruments (continued)

Financial assets – Subsequent measurement and gains and losses:

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity securities at FVOCI	These assets are subsequently measured at fair value. Gains and losses are recognised in OCI and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial liabilities – Classification, subsequent measurement
Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

iii. Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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 Group 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.

v. *Impairment of financial instruments*
The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Group 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

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 Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group 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 Group's historical experience.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.
The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Measurement of ECLs
Trade and other receivables - (Simplified approach)
The Group 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 group view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions

Cash and Bank balances – (General approach)
Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; and
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

3 Significant accounting policies (continued)

v. Impairment of financial instruments (continued)

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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 Group's procedures for recovery of amounts due.

i) Share Capital
Equity shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares and share options are recognized as a deduction from equity.

j) Treasury shares
When shares recognized as equity are repurchased, the amount of the consideration paid, including any attributable costs, is recognized 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 recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

k) Dividends
Dividends and other proposed appropriations are recognised as a liability in the period in which they are approved by the shareholders.

l) Directors' remunerations
Directors' remunerations are charged to the statement of profit or loss in the year in which they are incurred.

m) 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 Group 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 Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors and Group's Investment and Executive Committee 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 and Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

n) Provisions
A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 Significant accounting policies (continued)

o) 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, 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 Group.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If a market for a financial instrument is not active or there is no market, the Group establishes fair value using well-recognised valuation techniques that may include recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flows or market multiples for similar instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

p) Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventory), to determine whether there is any indication of impairment. If any such indication exists, the Group estimates the asset's recoverable amount.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. 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 groups 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.

Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate well recognized valuation model is used.

Impairment losses are recognised in profit or loss.

q) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset is capitalised. Other borrowing cost is recognised in the profit or loss in the year in which it arises.

r) Interest expense
Interest expense pertains to borrowings from bank and is recognized using effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of financial asset or liability and of allocating interest income or expense over the expected life of the asset or the liability. The application of interest rate method has effect of recognizing the interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment.

s) Governmental levy
The Group 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.

3 Significant accounting policies (continued)

t) Charity reserve

Based on the recommendations of the Board of Directors, an amount is transferred from the profit for the year to this reserve. The reserve represents the uncommitted amount of the donations and charities approved by the Shareholders.

u) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

v) Trade payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

w) Government grant

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for which the grants are intended to compensate. In the case of grants related to assets, requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

x) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and bank deposits with original maturity of three months or less when acquired and is subject to insignificant risk of changes in its fair value.

4. Impact of COVID-19

The outbreak of the COVID-19 pandemic across the world and the measures adopted by governments worldwide to mitigate its spread have sharply affected the travel and hospitality industries over the last 9 months of 2020. These measures included restriction on travel, border closings, lockdown, quarantines measures, closure of certain operations including in-door dining and event restrictions, with the Group generating most of its revenue during the year from sale of beverages through its retail stores. The Group's operations were heavily impacted with a 49% drop in its core revenue. This has negatively impacted the Group's financial performance during the year and also its liquidity position (refer note 26 (c)).

The Government of Kingdom of Bahrain has provided financial support to businesses to mitigate some of the impact of Covid-19. The Group received a total subsidy of BD 922,878 towards reimbursement of Bahraini staff salaries and waiver of electricity, water and other charges. These amounts have been accounted for as government grant in profit or loss in accordance with IAS 20

For the year ended 31 December 2020, the Group recognised a net loss from operation of BD 3,063 thousand before impairment on property and equipment. The Group's net current assets as at 31 December 2020 were BD 11,197 thousand compared to current liabilities of BD 9,226 thousand.

Depending on the duration of the COVID-19 crises and continued negative impact on economic activity, the Group might experience further negative results and liquidity constraint and could incur additional impairment on its assets in 2021. The exact impact on the activities in 2021 cannot be predicted.

5. Property and equipment

2020	Freehold land	Buildings on freehold land	Furniture, fittings and office equipment	Equipment and motor vehicles	Capital work-in-progress	Total
Cost						
At 1 January 2020	21,134,708	99,945,259	23,111,491	20,657,895	1,358,904	166,208,257
Additions	-	382,076	186,428	29,792	11,775	610,071
Transfers	-	1,354,222	-	-	(1,354,222)	-
Impairment losses	(3,185,205)	(1,457,485)	(97,700)	(324,290)	-	(5,064,680)
Disposals and write offs	-	(1,725)	(252,997)	(28,692)	-	(283,414)
At 31 December 2020	17,949,503	100,222,347	22,947,222	20,334,705	16,457	161,470,234
Depreciation						
At 1 January 2020	-	41,248,293	16,593,444	11,352,489	-	69,194,226
Charge for the year	-	3,594,988	2,635,458	1,093,065	-	7,323,511
Relating to disposals and write offs	-	(1,150)	(252,681)	(28,692)	-	(282,523)
At 31 December 2020	-	44,842,131	18,976,221	12,416,862	-	76,235,214
NBV value at 31 December	**17,949,503**	**55,380,216**	**3,971,001**	**7,917,843**	**16,457**	**85,235,020**

Gulf Hotel and Crown Plaza hotel are situated in Bahrain and are between 40-50 and 44 years old respectively. The conference centre building in Bahrain is 25 years old. The Group’s hotel in Dubai is 3 years old, and also a new residential building situated in Juffair area which is 2 years old.

The Covid-19 crisis adversely affected the travel and hospitality industries in all the countries in which the Group operates. Given the impact on the business, the Group has determined that indicators of impairment existed at 31 December 2020 and accordingly conducted impairment tests to assess recoverability of the carrying value of its Hotel properties. On this basis, the Group recognised impairment losses of BD 5,064,680.

The 31 December 2020 valuation contains a ‘material valuation uncertainty’ clause due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion. As a result of this increased uncertainty, the assumptions may be revised significantly in 2021.

5 Property and equipment (continued)

The impairment tests were carried out by an external, independent property valuers, having appropriate recognised qualification and experience in the location and category of the property being assessed taking into account the expected impacts of the health crisis and the economic conditions for recovery. For the freehold land in Dubai, the sales comparison approach was used resulting in impairment of BD 2,315,810. For the Hotel property in Dubai, discounted cash flow method was used with a forecast period of 5 years, discount rate of 7.7% and average growth rate of 2.5% resulting in impairment of BD 2,426,111.

For freehold land in Bahrain, the sales comparison approach was used resulting in impairment of BD 322,759. For hotel properties in Bahrain, the profit rate method was used utilising profits over the last 3 years and capitalisation rate of 9% resulting in no impairment.

2019	Freehold land	Buildings on freehold land	Furniture, fittings and office equipment	Plant, equipment and motor vehicles	Capital work-in-progress	Total
Cost						
At 1 January 2019	19,781,362	89,484,238	23,220,808	20,506,374	11,626,012	164,618,794
Additions	-	424,670	214,673	245,712	1,187,759	2,072,814
Transfers	1,353,346	10,036,530	64,041	950	(11,454,867)	-
Disposals and write offs	-	(179)	(388,031)	(95,141)	-	(483,351)
At 31 December 2019	21,134,708	99,945,259	23,111,491	20,657,895	1,358,904	166,208,257
Depreciation						
At 1 January 2019	-	37,093,246	14,748,857	10,238,207	-	62,080,310
Charge for the year	-	4,155,226	2,232,618	1,209,423	-	7,597,267
Relating to disposals and write offs	-	(179)	(388,031)	(95,141)	-	(483,351)
At 31 December 2019	-	41,248,293	16,593,444	11,352,489	-	69,194,226
NBV At 31 December 2019	21,134,708	58,696,966	6,518,047	9,305,406	1,358,904	97,014,031

6. Investment properties

2020	**Land**	**Buildings**	**Total**
Cost			
At 1 January 2020	494,515	1,897,940	2,392,455
Additions	-	-	-
At 31 December 2020	**494,515**	**1,897,940**	**2,392,455**
Accumulated depreciation			
At 1 January 2020	-	1,571,438	1,571,438
Charge for the year	-	55,404	55,404
At 31 December 2020	**-**	**1,626,842**	**1,626,842**
Carrying value at 31 December 2020	**494,515**	**271,098**	**765,613**

2019	Land	Buildings	Total
Cost			
At 1 January 2019	494,515	1,818,110	2,312,625
Additions	-	79,830	79,830
At 31 December 2019	494,515	1,897,940	2,392,455
Accumulated depreciation			
At 1 January 2019	-	1,514,949	1,514,949
Charge for the year	-	56,489	56,489
At 31 December 2019	-	1,571,438	1,571,438
Carrying value at 31 December 2019	494,515	326,502	821,017

The fair value of the investment property as at 31 December 2020 was BD 2,288,821 (2019: BD 2,104,403) based on valuation performed by an independent external property valuers, having appropriate recognsied qualification and experience in the location and category of the property being valued. The fair value measurement was based on sales comparison approach and accordingly has been categorised as level 2 in the fair value hierarchy

7. Equity accounted investees

Details of the Group's equity accounted investees at the end of the reporting period are as follows:

Name of the entity	Place of business / country	Percentage of ownership interest*		Nature of relationship	Principal activities
		2020	2019		
Bahrain Family Leisure Company B.S.C. (BFLC)	Kingdom of Bahrain	**28.06%**	28.06%	Associate	operating restaurants, provision of family entertainment.
African and Eastern (Bahrain) W.L.L. (A&E)	Kingdom of Bahrain	**33.33%**	33.33%	Associate	importing and selling alcohol beverage
Bahrain Airport Hotel Company W.L.L.**	Kingdom of Bahrain	**51%**	NA	Joint Venture	Owning and operating a hotel

*% of ownership interest is calculated based on the investee's share capital net of treasury shares

a) The movement on equity accounted investees is as follows:

2020	**BFLC**	**A&E**	**BAHC****	**Total**
Balance at 1 January 2020	1,232,858	8,117,445	-	9,350,303
Additional investment	-	-	712,000	712,000
Share of (loss)/profit for the year	(318,243)	971,816	-	653,573
Dividends received	-	(2,100,000)	-	(2,100,000)
Share in OCI of investee	-	(51,220)	-	(51,220)
Balance at 31 December 2020	914,615	6,938,041	712,000	8,564,656

2019	BFLC	A&E	Total
Balance at 1 January 2019	1,683,113	7,880,419	9,563,532
Share of (loss)/profit for the year	(450,255)	2,058,171	1,607,916
Dividends received	-	(1,900,000)	(1,900,000)
Share in OCI of investee	-	78,855	78,855
Balance at 31 December 2019	1,232,858	8,117,445	9,350,303

BFLC is listed on the Bahrain Bourse. The market price at 31 December 2020 was BD 818,100 (2019: BD 818,100).

****** During the year, the Group incorporated a joint venture, Bahrain Airport Hotel Company W.L.L (BAHC), in the Kingdom of Bahrain to own and operate a hotel at Bahrain international airport, with Gulf Air Group Holding Company, a 100% subsidiary of Mumtalakat, the sovereign wealth fund of the Government of Bahrain. Although the Group owns 51% of paid up capital of the investee, the investment is accounted for as a joint venture through shareholders' agreement.

7 Equity accounted investees (continued)

The following table summarizes the financial position of the associates as included in its own financial statements for the Company's share:

African & Eastern (Bahrain) WLL	**2020**	2019
Total current assets	5,691,884	9,486,084
Total non-current assets	15,667,281	16,059,737
Total current liabilities	(1,253,864)	(1,915,153)
Total non-current liabilities	(411,973)	(399,090)
Net Assets (100%)	**19,693,328**	23,231,578
	33%	33%
Company's share of net assets	6,564,377	7,743,781
Goodwill	373,664	373,664
Carrying amount of interest in associate	**6,938,041**	8,117,445

	2020	2019
Revenue	10,979,392	17,903,786
Profit for the year	2,915,475	6,174,570
Other comprehensive income	(159,724)	237,042
Total comprehensive income for the year	**2,755,751**	6,411,612
Company's share of total comprehensive income (33.33%)	920,596	2,137,026
Dividend received by the Group	2,100,000	1,900,000

BFLC	**2020**	2019
Total current assets	202,607	509,714
Total non-current assets	3,949,038	5,238,970
Total current liabilities	(370,519)	(465,597)
Total non-current liabilities	(491,668)	(886,160)
Net Assets (100%)	**3,289,458**	4,396,927
	28%	28%
Company's share of net assets	914,615	1,232,858
Carrying amount of interest in associate	**914,615**	1,232,858

7 Equity accounted investees (continued)

	2020	2019
Revenue	491,490	1,469,659
Loss for the year	(1,107,468)	(1,600,274)
Total comprehensive income for the year	**(1,107,468)**	(1,600,274)
Company's share of total comprehensive income (28.06%)	(318,243)	(450,255)
Dividend received by the Group	-	-

The results for BFLC used for equity accounting are based on reviewed accounts for 9 months ended 30 September 2020 and management accounts for the 3 months ended 31 December 2020. The results for A&E used for equity accounting was based on audited accounts for the year ended 31 December 2020.

8. Investment securities

	2020	2019
Quoted equity securities at FVOCI	10,351,153	10,841,028
Unquoted equity securities at FVOCI	2,812,996	2,525,330
	13,164,149	13,366,358

The movement on investment securities for the year is as follows:

	2020	2019
Balance at 1 January	13,366,358	13,870,550
Disposals during the year	-	(2,545,506)
Fair value movement - net	(202,209)	2,041,314
Balance at 31 December	**13,164,149**	13,366,358

9. Inventories

	2020	2019
Food and beverages	2,707,614	3,105,442
General stores	116,225	111,927
Maintenance stores	194,329	200,960
	3,018,168	3,418,329
Allowance for slow moving and obsolete inventories	(279,911)	(272,138)
	2,738,257	3,146,191

9. Inventories (continued)

The movement on the provision for slow moving inventories is as follows:

	2020	2019
1 January	272,138	278,447
Charge for the year	9,369	9,726
Write-off during the year	(1,596)	(16,035)
At 31 December	**279,911**	272,138

10. Trade receivables

	2020	2019
Trade receivables	1,398,413	2,253,193
Related party receivables (note 25)	162,264	364,150
	1,560,677	2,617,343
Impairment allowance on trade receivables	(907,467)	(298,704)
	653,210	2,318,639

Movement on impairment allowance during the year is as follow:

	2020	2019
Balance at 1 January	298,704	377,776
Charge for the year - net	608,895	32,769
Write-off during the year	(132)	(111,841)
Balance at 31 December	**907,467**	298,704

11. Other assets

	2020	2019
Other receivables – related parties (note 25)	45,989	143,409
Advances and prepayments	279,824	475,755
Security deposits	322,316	322,734
VAT recoverable*	1,795,500	1,795,500
Others*	978,393	842,207
	3,422,022	3,579,605

*relate to VAT paid on the purchase of the Dubai hotel, which has been recognised as input VAT receivable.

12. Cash and cash equivalents

	2020	2019
Cash and bank balances	4,237,306	7,130,581
	4,237,306	7,130,581

13. Share capital

	Number 2020	**Amount 2020**	Number 2019	Amount 2019
a) Authorised shares 100 fils each	**300,000,000**	**30,000,000**	300,000,000	30,000,000
b) Issued and fully paid	**225,994,863**	**22,599,487**	225,994,863	22,599,487

c) 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:

	2020	2019
(Loss)/Profit for the year	(8,197,584)	5,950,130
Weighted average number of equity shares	225,994,863	225,967,503
Basic and diluted earnings per share in fils	**(36)**	26

Diluted earnings per share is same as basic earnings per share as the Group does not have any potential dilutive instruments in issue.

d) Major shareholders

Names and nationalities of the major shareholders and the number of shares held in which they have an interest of 5% or more outstanding shares:

	31 December 2020			31 December 2019	
	Nationality	**No. of shares**	**Shareholding (%)**	No. of shares	Shareholding (%)
Bahrain Mumtalakat Holding Co. B.S.C. (c)	Bahraini	57,558,331	25.47%	57,558,331	25.47%
Social Insurance Organization	Bahraini	28,382,960	12.56%	28,382,960	12.56%
Family Investment Company Ltd.	Bahraini	24,428,215	10.81%	24,428,215	10.81%
Y.K.Almoayyed & Sons B.S.C (c)	Bahraini	14,309,817	6.3%	14,309,817	6.3%

e) Additional information on shareholding pattern

i. The Group has only one class of equity shares and the holders of the shares have equal voting rights.

ii. Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

13 Share capital (continued)

Categories*	**Number of shareholders**	**Number of shares**	**% of total outstanding shares**
Less than 1 %	3,776	69,897,185	31.92
1 % up to less than 5 %	9	45,788,370	19.26
5 % up to less than 10 %	2	28,322,762	12.53
10% up to less than 20%	1	24,428,215	10.82
20% up to less than 50%	1	57,558,331	25.47
Total	**3,789**	**225,994,863**	**100.00**
Treasury shares	**-**	**-**	**-**

* Expressed as % of total outstanding shares issued and fully paid shares.

The details of the total ownership interest held by the directors are as follows:

	31 December 2020		31 December 2019	
Director	**No. of shares**	**% of total outstanding share capital**	No. of shares	% of total outstanding share capital
Farouk Yousuf Almoayyed	4,234,297	1.874%	4,234,297	1.874%
Fawzi Ahmed Ali Kanoo	193,975	0.085%	193,975	0.085%
Khalid Mohamed Kanoo	141,436	0.063%	141,436	0.063%
Mohamed Husain Yateem	1,783,153	0.789%	1,782,343	0.789%
Mohamed Jassim Buzizi	448,119	0.198%	448,119	0.198%
Adel Hussain Mahdi Almasqati	56,508	0.025%	56,508	0.025%

The details of the total ownership interest held by the directors along with the entities controlled, jointly controlled or significantly influenced by them are as follows:

	2020	2019
Number of shares	143,009,376	143,024,881
Percentage of holdings	63.28%	63.29%

14. Other reserves

a) Statutory reserve

The Commercial Companies Law requires 10% of the profit for the year to be appropriated into a reserve until the reserve reaches 50% of the paid-up capital. This reserve can only be utilised according to the commercial Companies law.

b) General reserves

General reserves are appropriated from profits for the year at the discretion of the board of directors.

c) Investment fair value reserve

Gains or losses arising on re-measurement of investment securities at FVTOCI are recognised in the investment fair value reserve.

15. Employees' end of Service Benefits

The Group's contributions in respect of Bahraini employees for the year amounted to BD 218,691 (2019: BD 297,182). The Group employed 764 staff at 31 December 2020 (2019: 935).

Movement in provision of end of service benefits during the year is as follows:

	2020	2019
Opening balance	1,489,246	2,137,984
Charge during the year	240,415	312,826
Paid during the year	(555,779)	(961,564)
	1,173,882	1,489,246

16. Bank loans

	2020	2019
Current	4,082,000	824,000
Non-current	7,758,000	11,736,000
	11,840,000	12,560,000

In 2018, the Group obtained a loan of BD 18,000,000 from a local bank at an interest rate of BIBOR+2.1% to purchase a 4-star hotel in Dubai, UAE, secured by other properties of the Group with a book value of BD 9,979,904.

17. Trade payables

	2020	2019
Trade payables	1,887,008	2,251,237
Related parties payable (note 25)	50,581	65,191
	1,937,589	2,316,428

18. Accrued expenses and other liabilities

	2020	2019
Accrued expenses	643,435	1,115,912
Payables to contractors	181,371	1,059,534
Accrued staff benefits	253,269	798,289
Accrued interest	245,704	119,180
Government levy payable	6,205	324,584
Other payables	1,877,230	1,964,534
	3,207,214	5,382,033

19. Revenue

	2020	2019
Food and beverages	14,133,625	25,898,760
Rooms	4,811,078	10,648,465
Other operating revenue	790,927	2,022,585
	19,735,630	38,569,810

20. Operating costs

	2020	2019
Food and beverages	5,946,236	11,352,765
Payroll and related costs	4,459,168	6,642,071
Rooms	718,122	1,361,516
Other operating departments	119,100	301,324
Other overhead costs	1,062,988	1,721,605
	12,305,614	21,379,281

21. Management fee and other income

	2020	2019
Management fee	144,373	403,555
Property income – net	456,365	350,726
Rental income	184,101	236,865
Reversal of provision	-	45,809
Other income	118,592	251,510
	903,431	1,288,465

22. Government grant

During the year, the government of Bahrain implemented a package of measures to support businesses cope with the impact of Covid-19. Th group received a total subsidy of BD 923 thousand towards reimbursement of Bahraini staff cost and waiver of electricity and water charges and other government fees.

23. Other operating expenses

	2020	2019
Utilities	873,694	899,216
Marketing	130,714	303,129
Maintenance	195,470	350,117
Professional fees	174,359	41,016
Directors' sitting fee	275,400	298,200
Registration fee	31,926	28,204
Insurance expense	76,039	76,731
Municipal taxes	39,660	44,160
Printing and stationary	22,183	37,295
Other expenses	491,168	926,068
	2,310,613	3,004,136

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24. Proposed appropriations

The board is proposing dividend for the year ended 31 December 2020 of 10 fils per share amounting to BD 2,259,386. The proposed appropriation of the 2020 profit is subject to approval by the shareholders at the Annual General Meeting. In the annual general meeting on 22 March 2020, the shareholders approved a dividend of BD 5,648,466 for the year 2019.

25. 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:

	31 December 2020					31 December 2019				
	Purchases	**Sales**	**Management fee income**	**Interest Expense**	**Share of profit from associates**	Purchases	Sales	Management fee income	Interest Expense	Share of profit from associates
Major shareholders and their affiliates	110,988	107,106	144,373	727,049	-	622,477	566,380	403,556	895,839	-
Associates (note 7)	75,909	40,531	-	-	653,573	14,035	74,723	-	-	1,607,916
Directors and related affiliates	639	37,471	-	-	-	-	68,025	-	-	-
	187,536	**185,108**	**144,373**	**727,049**	**653,573**	636,512	709,128	403,556	895,839	1,607,916

25 Related Party Transactions (continued)

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

	31 December 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	148,394	5,989	49,942	11,840,000	319,886	143,409	64,908	12,560,000
Associates	6,481	40,000	-	-	27,043	-	283	-
Directors and related affiliates	7,389	-	639	-	17,221	-	-	-
	162,264	**45,989**	**50,581**	**11,840,000**	**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:

	2020	2019
Salaries and short-term employee benefits	242,517	382,288
Post-employment benefits	11,588	18,283
Directors attendance fees and remuneration	275,400	298,200
	529,505	698,771

Certain transactions were approved by the Board of Directors under Article 189(b) of the Commercial Companies Law in the financial year ended 31 December 2020 where the chairman, directors or managers had a direct or indirect interest in the contracts or transactions which have been approved by the board.

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. No impairment losses have been recorded against balances outstanding during the period with related parties, and no specific allowance has been made for impairment losses on balances with related parties at the year end.

26. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk; and
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an executive management committee, which assist the Board of Directors in effectively discharging their responsibilities for developing and monitoring the Group's risk management policies.

The Group's Audit Committee oversees how management monitors compliance with the Company's risk management procedures and reviews the adequacy of the risk management practices in relation to the risks faced by the Company. The Group's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

a) Credit risk

Credit risk is the risk that a customer or a counter party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk primarily on its cash and bank balances, receivables and investment in debt securities.

The Group's credit risk on cash and bank balances is limited as these are placed with banks in Bahrain having good credit ratings.

With regard to trade receivables, the Group 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.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

26 Financial risk management (continued)

a) Credit risk (continued)

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020	2019
Trade receivables	653,210	2,318,639
Other assets	3,142,198	3,103,850
Bank balances	4,190,548	7,079,529
	7,985,956	12,502,018

The maximum exposure to credit risk at the reporting date based on geographical concentration was:

	2020	2019
Bahrain	5,622,325	9,963,619
UAE	2,310,579	2,445,245
Others	53,052	93,154
	7,985,956	12,502,018

The ageing of receivables at the reporting date was:

	2020		2019	
	Gross	**Impairment**	Gross	Impairment
Neither past due nor impaired	285,791	(37,382)	673,870	-
Past due 0-90 days	280,093	(117,963)	1,195,438	-
Past due 91-180 days	85,598	(42,561)	187,467	-
More than 180 days	909,195	(709,561)	560,568	(298,704)
	1,560,677	(907,467)	2,617,343	(298,704)

b) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Group incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. A 1% increase / decrease in interest rates will have an impact of BD 93,969 (2019: BD 94,323) loss and BD 154,824 (2019: BD 199,354) gain on the profit and equity of the Group.

26 Financial risk management (continued)

b) Market risk (continued)

(ii) 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 has exposure to currency risk on its purchases invoiced in foreign currency, on credit card sales in foreign currency and on certain investment in foreign currency. Predominantly, the purchase of products is from local suppliers. Investments in foreign currency are mainly in Saudi Riyals or UAE Dirhams, which are effectively pegged against the US dollar. The majority of the foreign currency purchases are in US dollars. The US dollar is pegged against the Bahraini dinar and therefore the Company is not exposed to any significant currency risk.

(iii) Equity price risk
The Group equity investments are listed on regional exchanges.

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.

	2020			2019		
	Change in equity price	**Effect on equity**	**Effect on profit**	Change in equity price	Effect on equity	Effect on profit
Investment securities (quoted)	+10%	1,035,114	-	+10%	1,084,103	-

All of the Group's quoted investments are listed in the Kingdom of Bahrain and other GCC stock markets.

Concentration of investment portfolio
Concentration of investment portfolio arise when a number of investments are made in entities engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would be affected by changes in economic, political or other conditions.

The Group manages this risk through diversification of investments in companies operating in different sectors. All of the Group’s equity investments are in kingdom of Bahrain

c) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’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.

The Covid-19 measures imposed by Governments of countries in which the Group operates to contain the pandemic placed severe stress on the Group’s liquidity as revenue generating activities were restricted from early March 2020 to 31 December 2020. The Group has taken and continue to take actions to mitigate the impact, including reducing capital expenditure and operating expenses. The Group believes that the effects of Covid-19 pandemic on its operations will continue to have a negative impact on its financial results and liquidity.

The Group’s sale of beverages through its retail outlets continue to generate strong cash flows. The Group’s associate A&E continues to perform well and is expected to provide cash flow support to the group though dividend distributions.

As at 31 December 2020, The Group has BD 14,588 thousand of resources comprising cash and cash equivalents of BD 4,237 thousand and, other highly liquid assets (listed shares) of BD 10,351 thousand which will be sufficient to meet its obligations when they fall due over the next 12 months and more.

26 Financial risk management (continued)

c) Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

2020	**Carrying amount**	**Gross contractual cash flows**	**Within 1 Year**	**1 year to 5 years**	**Over 5 years**
Trade and other payables	5,125,520	5,125,520	5,125,520	-	-
Bank term loans	11,840,000	12,593,406	4,531,791	8,061,615	-
	16,965,520	**17,718,926**	**9,657,311**	**8,061,615**	**-**

2019	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Trade and other payables	7,698,461	7,698,461	7,698,461	-	-
Bank term loans	12,560,000	14,137,787	1,531,264	12,606,523	-
	20,258,461	21,836,248	9,229,725	12,606,523	-

d) Operational risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud. While operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures, and trained and competent people are in place throughout the Group. A strong internal audit function makes regular, independent appraisals of the control environment in all identified risk areas. Adequately tested contingency arrangements are also in place to support operations in the event of a range of possible disaster scenarios.

e) 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 Group. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group 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 Group's approach to capital management during the year.

27. Fair value and classification of financial instruments

Fair value

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.

Fair value Hierarchy

The Group measures fair values 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; and
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Financial assets 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:

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Equity securities at FVOCI	**10,351,153**	**-**	**2,812,996**	**13,164,149**

31 December 2019	Level 1	Level 2	Level 3	Total fair value
Equity securities at FVOCI	10,841,028	-	2,525,330	13,366,358

There were no transfers between Level 1 and Level 3 of the fair value hierarchy during the year ended 31 December 2020. 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:

	2020	2019
Balance at 1 January	2,525,330	1,970,874
Total gains or losses:		
- in other comprehensive income	287,666	554,456
Balance at 31 December	**2,812,996**	2,525,330

27 Fair value and classification of financial instruments (continued)

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

The fair value of bank term loans approximate carrying value since they are at floating interest rates.

Classification of financial instruments
Except for investment securities which are classified at fair value through equity, all other financial assets and financial liabilities are classified at amortised cost.

28. Comparatives
The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping did not affect the previously reported profit, total comprehensive income for the year or total equity.

29. Segmental Information
For management purposes, the Group is organised into four main business segments:

Hotel operations: Hotel rooms and rental and of executive apartments and office

Food and beverage: 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

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.

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29 Segmental Information (continued)

	Hotel room operations		*Food and beverage*		*Investment and other activities*		*Consolidated*	
Year ended 31 December	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*
Revenue	**5,602,005**	12,671,050	**14,133,625**	25,898,760	**-**	-	**19,735,630**	38,569,810
Operating costs	**(2,894,446)**	(5,937,634)	**(9,411,168)**	(15,441,647)	**-**	-	**(12,305,614)**	(21,379,281)
Gross profit	**2,707,559**	6,733,416	**4,722,457**	10,457,113	**-**	-	**7,430,016**	17,190,529
Investment income	**-**	-	**-**	-	**1,255,720**	2,395,290	**1,255,720**	2,395,290
Interest income	**-**	-	**-**	-	**65,999**	83,950	**65,999**	83,950
Management fee and other income	**250,032**	404,905	**8,841**	14,359	**644,558**	869,201	**903,431**	1,288,465
Depreciation of property and equipment	**(4,756,934)**	(4,829,666)	**(2,534,112)**	(2,749,678)	**(32,465)**	(17,923)	**(7,323,511)**	(7,597,267)
Government grant	**807,288**	-	**21,703**	-	**93,887**	-	**922,878**	-
Interest expense	**-**	-	**-**	-	**(727,049)**	(895,839)	**(727,049)**	(895,839)
Administrative staff costs	**(1,628,710)**	(2,166,185)	**(269,585)**	(274,205)	**(772,986)**	(903,217)	**(2,671,281)**	(3,343,607)
Pre-operating project expenses	**-**	(134,486)	**-**	-	**-**	-	**-**	(134,486)
Impairment allowance on trade receivables	**(377,336)**	(32,769)	**(164,244)**	-	**(67,315)**	-	**(608,895)**	(32,769)
Impairment on property and equipment	**(2,426,111)**	-	**-**	-	**(2,638,569)**	-	**(5,064,680)**	-
Other operating expenses	**(1,752,084)**	(2,311,018)	**-**	-	**(558,529)**	(693,118)	**(2,310,613)**	(3,004,136)
Segment profit / (loss) for the year	**(7,176,296)**	(2,335,803)	**1,785,060**	7,447,589	**(2,736,749)**	838,344	**(8,127,985)**	5,950,130
Total Assets	**54,718,013**	69,638,005	**33,757,833**	39,404,171	**28,304,387**	27,684,549	**118,780,233**	136,726,725
Total Liabilities	**3,044,710**	6,470,301	**2,351,014**	1,849,212	**12,762,961**	13,428,194	**18,158,685**	21,747,707
Capital Expenditures	**552,749**	1,986,643	**53,089**	79,425	**4,233**	6,746	**610,071**	2,072,814

30. Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		Equity			
	Trade and other payables	**Bank Term loans**	**Share capital**	**Reserves**	**Retained earnings**	**Total**
Balance at 1 January 2020	**7,698,461**	**12,560,000**	**40,113,929**	**24,820,309**	**50,044,780**	**135,237,479**
Repayment of loans and borrowings	-	(720,000)	-	-	-	(720,000)
Dividend paid	(5,662,383)	-	-	-	-	(5,662,383)
Donations paid	-	-	-	(327,590)	-	(327,590)
Interest paid	(600,526)	-	-	-	-	(600,526)
Total changes from financing cash flows	**(6,262,909)**	**(720,000)**	**-**	**(327,590)**	**-**	**(7,310,499)**
Changes in fair value	-	-	-	(253,429)	-	(253,429)
Other changes	-	-	-	-	(8,127,985)	(8,127,985)
Liability-related	(2,666,264)	-	-	-	-	(2,666,264)
Dividends declared	5,648,466	-	-	-	(5,648,466)	-
Interest expense	727,049	-	-	-	-	727,049
Total liability-related other changes	**3,709,251**	**-**	**-**	**-**	**-**	**3,709,251**
Total equity-related other changes	**-**	**-**	**-**	**(253,429)**	**(13,776,451)**	**(14,029,880)**
Balance at 31 December 2020	**5,144,803**	**11,840,000**	**40,113,929**	**24,239,290**	**36,268,329**	**117,606,351**

Un-audited 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 travellers 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 e-commerce channels, which alleviated as an all-time operating revenue stream.
- There was a significant slowdown to the entire supply chain.
- Creditors' inability to fulfil 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 Centre 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 year 2020 a GOP of BD 7.4m reflecting the Group's ability to generate cash in very difficult trading conditions, while the net loss of BD 8.1m is substantiated as follows:

1- A 48.83% decrease in sales
2- Most of the constant elements remained the same as the previous year i.e. depreciation and loan interest.
3- BD 576,126 increase in provisions for doubtful debts.
4- Impairment of land BD 5m

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.

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 year ended 31st December 2020 are as follows:

Financial statement area	Nature of impact	Amount <BD>
Operating Income	Decrees	(18,834,180)
Government grants	Increase	922,878
Property impairment	Increase	(5,064,680)
Impairment allowance of trade receivable	Increase	(576,126)
Accumulated losses		(8,127,985)

No other significant impact has been noted by the management on other financial statement areas during the period ended 31st December 2020.