

Gulf Hotels Group B.S.C

**CONSOLIDATED
FINANCIAL STATEMENTS**

31 December 2022

**Consolidated Financial Statements
For the year ended 31 December 2022**

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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 and Commerce under commercial registration (CR) number 950.

SHARE CAPITAL

Authorised : BD 30,000,000 (2021: BD 30,000,000) divided into
300,000,000 shares (2021: 300,000,000 shares) of 100 fils each
Issued and fully paid-up : BD 22,599,487 (2021: BD 22,599,487)

BOARD OF DIRECTORS

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

EXECUTIVE COMMITTEE

: Fawzi Ahmed Kanoo (Chairman)
: Ahmed Mohamed Ali Mohamed Janahi
: Khalid Hussain Ali Mohammed Taqi
: Mohammed Jassim Buzizi

CORPORATE GOVERNANCE COMMITTEE

: Farouk Yousuf Almoayyed (Chairman)
: Oliver Harnisch
: Jassim Abdulaal

AUDIT COMMITTEE

: Jassim Abdulaal (Chairman)
: Khalid Mohamed Kanoo
: Andrew John Day
: Adel Husain Mahdi Al Maskati

INVESTMENT COMMITTEE

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

GENERAL INFORMATION (Continued)

REMUNERATION COMMITTEE

- : Farouk Yousuf Almoayyed (Chairman)
- : Mohammed Jassim Buzizi
- : Oliver Harnisch
- : Jassim Abdulaal

STRATEGY COMMITTEE (TEMPORARY)

- : Fawzi Ahmed Kanoo (Chairman)
- : Ahmed Mohamed Janahi
- : Oliver Harnisch
- : Khalid Hussain Ali Taqi
- : Mohammed Jassim Buzizi
- : Jassim Abdulaal
- : Andrew John Day

MANAGEMENT

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

BOARD'S SECRETARY

- : Shaheed Elaiwi

OFFICE

- : Building no – 11, street no. 3801
- Telephone +973 17746446, Fax +973 17746731
- Area 338, P.O. Box 580
- Manama, Kingdom of Bahrain
- www.gulfhotelsgroup.com
- info@gulfhotelsgroup.com

AUDITORS

- : KPMG Fakhro
- PO Box 710
- Building 470
- 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

GENERAL INFORMATION (Continued)

REGISTRARS : Bahrain Clear B.S.C. (c)
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
: Protection Insurance Services W.L.L
PO Box 33133
13th Floor, Jeera Tower
Manama, Kingdom of Bahrain



مجموعة فنادق الخليج
GULF HOTELS
GROUP

Chairman Report

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 2022.

2022 has seen a strong bounce back from the Covid-19 pandemic period with both the hospitality and retail divisions enjoying strong growth in 2021. The management's efforts to keep a tight control of costs has meant that, although revenues are yet to recover to pre-pandemic levels, the bottom-line delivery has exceeded 2019, due to lower overhead expenses and depreciation.

Gulf Hotel Bahrain Convention & Spa

The Gulf Hotel delivered a 13% occupancy growth and a 51% growth on covers served compared to 2021. The welcome return of business in the MICE market resulted in a 276% increase in covers served in the Gulf Convention Centre.

Crowne Plaza Hotel, Bahrain

The Company has now converted the Crowne Plaza Hotel from a management contract to a franchise operation, meaning that the Group's management now operate the hotel. This paid very positive dividends for the property in the last quarter of 2022, with occupancy growth in Q4 exceeding 13%.

Gulf Court Hotel Business Bay, Dubai

Our Dubai property also recorded a very strong year, helped by the EXPO event in Q1 of 2022, delivering almost 395% growth in the property's GOP.

Gulf Executive Residence, Juffair

The Group's long-stay apartment properties performed exceptionally well, with year-round.

Bahrain Airport Hotel

The Bahrain Airport Hotel, opened in 2021 in the new international airport terminal, benefited from the return of passenger traffic in 2022, improving occupancies by 125% on last year.

The K Hotel

Owned by Mokan WLL and operated by Gulf Hotels Group, the K Hotel continued to be a leading hotel in Bahrain's four-star market, delivering double digit occupancy growth and substantial profit growth in 2022.

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e-mail: info@gulfhotelsgroup.com
www.gulfhotelsgroup.com

ص.ب. ٥٨٠، المنامة، مملكة البحرين
تليفون: (٩٧٣) ١٧٧٤ ٦٤٤٦ • فاكس: (٩٧٣) ١٧٧١ ٣٠٠٧
البريد الإلكتروني: info@gulfhotelsgroup.com
الموقع الإلكتروني: www.gulfhotelsgroup.com

Owners & Operators of:



Operators of:





Ocean Paradise Resort, Zanzibar

GHG is both a shareholder and operator of these 100 rooms, African themed property. The strong return of leisure travel helps the property substantially exceed expectations in 2022.

In Q2, the Group signed a management contract with GINO Holding to operate a 218-bedroom hotel and adjacent water park in Tbilisi, Georgia. The hotel will enjoy its grand opening early in 2023 and will offer Bahrainis a 'home-away-from-home' in the rapidly expanding Georgia tourism market, serviced from Bahrain by Gulf Air.

The Group continues its expansion strategy having recently signed an agreement to manage a four-star hotel in the Seef district, the full details of which will be announced shortly, once administrative procedures have been completed. The management team continues to work on expansion opportunities in KSA and in the Georgia market and we expect to announce a further hotel acquisition here in Bahrain in Q1 2023.

RESULTS

- Gross Operating Revenue amounted to BD **31,395,416** plus other revenue amounting to BD **4,492,498**.
- Net Profit amounted to BD **6,669,015**

The increase in revenue of BD 8.394 million or 36.5% against last year is attributed to the business pickup across the group's units which, resulted in a net profit of BD 6,669,015 vs. BD 3,396,338 in 2021; such profit was achieved by an increase in profit from associates of BD 693,599, increase in dividend income of BD 67,116; BD 819,228 from gain on sale of owned land, increase in management fees by BD 152,412 and BD 172,473 increase in restaurants & office/shops rental; increase in interest income BD 201,562 While last year GHG enjoyed a government support of BD 365,145 and impairment reversal on PP&E of BD 1.732 million. On the other hand, Operation expenses have increased proportionately of BD 6.084 million with the increase in revenue, the interest expenses decreased by BD 312,725 from the previous year and Depreciation reduced by BD 734,000.

PROPOSED APPROPRIATIONS

Considering 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 2023. The Directors are pleased to recommend for the approval of shareholders the following appropriations:

- Dividend of 25% (BD 5,649,872) equal to 25 fils per share.
- Board of Director's remuneration BD 180,000



FUTURE PROSPECTS

The Group continuously conducts extensive market research to explore and seize business opportunities to add-on its portfolio through securing new hotel management contracts.

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, the Crown Prince the Prime Minister Salman Bin Hamad Al Khalifa, 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.

Mr. Farouk Almoayyed
Chairman

Mr. Mohamed Buzizi
Director

Disclosure forms for the remuneration of members of the board of directors and the executive management in the report of the board of directors

First: Board of directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1-Mr. Mohammed Jassim Buzizi	17,500	9,600	-	18,000	45,100	-	-	-	-	-	-	45,100	-
2- Mr. Jassim Abdulal	17,500	10,000	-	-	27,500	-	-	-	-	-	-	27,500	-
3- Mr. Adel Maskati	17,500	7,600	-	-	25,100	-	-	-	-	-	-	25,100	-
Second: Non-Executive Directors:													
1-Mr. Farouk Yousuf Almoayyed	22,500	8,400	-	-	30,900	-	-	-	-	-	-	30,900	-
2-Mr. Fawzi Ahmed Kanoo	17,500	8,800	-	-	26,300	-	-	-	-	-	-	26,300	-
3-Mr. Khalid Mohammed Kanoo	17,500	4,600	-	-	22,100	-	-	-	-	-	-	22,100	-
4-Mr. Ahmed Janahi ***	17,500	9,600	-	-	27,100	-	-	-	-	-	-	27,100	-

5-Mr. Oliver Harnisch ***	17,500	8,400	-	-	25,900	-	-	-	2,963	2,963	-	28,863	-
6-Mr. Andrew Day***	17,500	8,400	-	-	25,900	-	-	-	1,996	1,996	-	27,896	-
7-Mr. Khalid Taqi ***	17,500	9,600	-	-	27,100	-	-	-	-	-	-	27,100	-
Third: Executive Directors:													
N/A													
Total	180,000	85,000	-	18,000	283,000	-	-	-	4,959	4,959	-	287,959	-
Note: All amounts are in Bahraini Dinars.													

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2022	Aggregate Amount
Remunerations for top 6 executives, including CEO and Senior Financial Officer	456,403	116,045	-	572,448
Note: All amounts are in Bahraini Dinars.				

Independent auditors' report

To the Shareholders of

Gulf Hotels Group BSC
Manama, Kingdom of Bahrain

Opinion

We have audited the 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 2022, the consolidated statements of profit or loss and other 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the 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 Independence 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.

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 disclosure in Note (4) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> ▪ of the significance of property and equipment which make up 61% 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. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> ▪ We involved our own valuation specialists to assist us with: <ul style="list-style-type: none"> ➢ 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
Gulf Hotels Group BSC (continued)

- evaluating 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.

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 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 Standards, 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 judgement 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
Gulf Hotels Group BSC (continued)

- 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.
- 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 Requirements

- 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 and Commerce in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
 - a) 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
 26 February 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022


Bahraini Dinars


	Note	31 December 2022	31 December 2021
ASSETS			
Property and equipment	4	68,680,687	80,804,824
Investment properties	5	655,749	711,026
Equity accounted investees	6	7,475,062	7,977,619
Investment securities	7	12,762,912	13,240,693
Total non-current assets		89,574,410	102,734,162
Inventories	8	3,021,757	1,796,963
Trade receivables	9	1,409,769	944,770
Other assets	10	2,367,604	2,012,243
Cash and bank balances	11	15,421,145	5,958,355
Total current assets		22,220,275	10,712,331
Total assets		111,794,685	113,446,493
EQUITY			
Share capital	12	22,599,487	22,599,487
Share premium		17,514,442	17,514,442
Other reserves	13	23,934,960	24,310,692
Retained earnings		39,553,862	37,404,718
Total equity		103,602,751	101,829,339
LIABILITIES			
Employees' end of service benefits	14	1,183,203	1,124,070
Non-current portion of bank loan	15	-	2,700,000
Total non-current liabilities		1,183,203	3,824,070
Trade payables	16	3,153,138	2,080,483
Accrued expenses and other liabilities	17	3,855,593	3,030,601
Current portion of bank loan	15	-	2,682,000
Total current liabilities		7,008,731	7,793,084
Total liabilities		8,191,934	11,617,154
Total equity and liabilities		111,794,685	113,446,493

The consolidated financial statements were approved by the board of directors on 26 February 2023 and signed on its behalf by:


Farooq Yousuf Almoayyed
Chairman


Garfield Jones
Chief Executive Officer


Fawzi Ahmed Kanoo
Vice Chairman


Charbel Sarkis
Chief Financial Officer

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

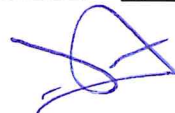
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022


Bahraini Dinars

	Note	2022	2021
Revenue	18	31,395,416	23,001,005
Share of profit from equity accounted investees	6	1,662,411	968,812
Dividend income		538,530	471,414
Gain on sale of property and equipment		819,228	-
Interest income		211,106	9,544
Reversal of impairment on property and equipment	4	-	1,731,989
Rental and other income	19	1,261,223	1,307,548
Total income		35,887,914	27,490,312
Staff cost	20	9,116,652	6,708,737
Food and beverage cost	21	7,054,239	5,654,585
Utilities		1,546,771	1,367,245
Other operating expenses	22	5,773,632	3,676,648
Impairment allowance on trade receivables	9	124,706	37,135
Interest expense		77,167	389,892
Depreciation	4	5,525,732	6,259,732
Total expenses		29,218,899	24,093,974
PROFIT FOR THE YEAR		6,669,015	3,396,338
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments at FVOCI – net change in fair value	7	(477,781)	76,561
Investment in associates – share in investment fair value reserve	6	35,032	46,151
<i>Items that are or may not be reclassified subsequently to profit or loss:</i>			
Foreign operations - foreign currency translation differences		101,327	-
Total other comprehensive income for the year		(341,422)	122,712
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,327,593	3,519,050
BASIC AND DILUTED EARNINGS PER SHARE (in fils)		30	15


Farooq Yousuf Almoayyed
 Chairman


Garfield Jones
 Chief Executive Officer


Fawzi Ahmed Kanoo
 Vice Chairman


Charbel Sarkis
 Chief Financial Officer

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Bahraini Dinars

	Share capital	Share premium	Other reserves				Retained earnings	Total equity	
			Statutory reserve	General reserve	Charity reserve	Foreign currency reserve			Investment fair value reserve
2022									
As at 1 January 2022	22,599,487	17,514,442	11,299,744	5,000,000	1,828,321	-	6,182,627	37,404,718	101,829,339
Comprehensive income:									
Profit for the year	-	-	-	-	-	-	-	6,669,015	6,669,015
Other comprehensive income for the year	-	-	-	-	-	101,327	(442,749)	-	(341,422)
Total comprehensive income for the year	-	-	-	-	-	101,327	(442,749)	6,669,015	6,327,593
Utilisation of donation reserve	-	-	-	-	(34,310)	-	-	-	(34,310)
Dividends declared for 2021	-	-	-	-	-	-	-	(4,519,871)	(4,519,871)
At 31 December 2022	22,599,487	17,514,442	11,299,744	5,000,000	1,794,011	101,327	5,739,878	39,553,862	103,602,751

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 (continued)

Bahraini Dinars

	Share capital	Share premium	Other reserves			Investment fair value reserve	Retained earnings	Total equity
			Statutory reserve	General reserve	Charity reserve			
2021								
As at 1 January 2021	22,599,487	17,514,442	11,299,744	5,000,000	1,879,631	6,059,915	36,268,329	100,621,548
Comprehensive income:								
Profit for the year	-	-	-	-	-	-	3,396,338	3,396,338
Other comprehensive income for the year	-	-	-	-	-	122,712	-	122,712
Total comprehensive income for the year	-	-	-	-	-	122,712	3,396,338	3,519,050
Utilisation of donation reserve	-	-	-	-	(51,310)	-	-	(51,310)
Dividends declared for 2020	-	-	-	-	-	-	(2,259,949)	(2,259,949)
At 31 December 2021	22,599,487	17,514,442	11,299,744	5,000,000	1,828,321	6,182,627	37,404,718	101,829,339

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

Bahraini Dinars

	Note	2022	2021
Cash flow from operating activities			
Profit for the year		6,669,015	3,396,338
Adjustments for:			
Depreciation	4	5,525,732	6,259,732
Share of profit from equity accounted investees	7	(1,662,411)	(968,812)
Dividend income		(538,530)	(471,414)
Interest income		(211,106)	(9,544)
Interest expense		77,167	389,892
(Reversal)/Impairment of property and equipment		-	(1,731,989)
Impairment allowance on trade and other receivables		124,706	37,135
Provision for employees' end of service benefits		264,291	90,737
		10,248,864	6,992,075
Change in working capital:			
Inventories		(1,224,803)	941,298
Trade and other receivables		(945,059)	1,283,086
Trade and other liabilities		2,372,174	52,500
Directors' remuneration		(258,600)	(104,300)
Employees' end of service benefits		(205,158)	(140,549)
		9,987,418	9,024,110
Net cash from operating activities			
Cash flow from investing activities			
Purchase of property and equipment		(1,457,106)	(42,960)
Disposal of property and equipment		8,212,115	-
Short term deposits		(11,500,000)	-
Interest received		211,106	9,544
Dividend received from an associate	7	2,200,000	1,400,000
Dividends received from investment securities		538,530	471,414
		(1,795,355)	1,837,998
Net cash (used in)/from investing activities			
Cash flow from financing activities			
Dividends paid		(4,519,584)	(2,338,889)
Payments for donations		(34,310)	(51,310)
Interest paid		(293,379)	(292,860)
Repayment of bank loan		(5,382,000)	(6,458,000)
		(10,229,273)	(9,141,059)
Net cash used in financing activities			
Net (decrease)/ increase in cash and cash equivalents			
		(2,037,210)	1,721,049
Cash and cash equivalents at 1 January		5,958,355	4,237,306
Cash and cash equivalents as at 31 December	11	3,921,145	5,958,355

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***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 and Commerce 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, GHG Colombo (retail) in Sri Lanka. The Group also provides management services to The K Hotel and Asdal Gulf-inn Seef, in the Kingdom of Bahrain, during the year 2022, the Company has signed a 10 year agreement to manage Gulf Aquamarine Hotel and Gino Paradise Water Park in Tbilisi, Georgia. The Company is a shareholder and operator of Bahrain Airport Hotel Company, Ocean Paradise Resort, Zanzibar, Republic of Tanzania.

The Group's significant subsidiaries are as follows:

Subsidiary	Ownership interest	Date of incorporation	Country	Activities
Gulf Hotels Management Company W.L.L.	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
GHG Colombo	100%	19-Jul-2018	Sri Lanka	Retail operations

2 Basis of preparation**a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in conformity with the Commercial Companies Law.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***2 Basis of preparation (continued)****d) Use of significant judgments and estimates**

The preparation of these consolidated financial statements in conformity with IFRS Standards 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.

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 2022

There were no new standards, amendments to standards and interpretations, which became effective on 1 January 2022, that were relevant and material to the Group.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however; the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new standards, amendments and interpretations to standards that are relevant to the Group and are not expected to have a significant impact on the Group's consolidated financial statements.

- i) Classification of liabilities as current or non-current (Amendments to IAS 1).*
- ii) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Standards Practice Statement 2).*
- iii) Definition of Accounting Estimates (Amendments to IAS 8).*

3 Significant accounting policies

The significant accounting policies 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)****(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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)****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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Bahraini Dinars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Bahraini Dinars at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)****e) 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.

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 <ul style="list-style-type: none"> • 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)**

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.

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 comprehensive 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)****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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)****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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)*****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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)****n) Provisions**

A provision is recognised in the statement of financial position when the Group 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.

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 banks 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***3 Significant accounting policies (continued)****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.

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.

y) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, property and equipment are no longer depreciated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

Bahraini Dinars

4. Property and equipment

	Freehold land	Buildings	Furniture, fittings and office equipment	Equipment and motor vehicles	Capital work-in-progress	Total
2022						
Cost						
At 1 January 2022	19,681,492	100,242,472	22,753,480	20,303,249	5,999	162,986,692
Additions	-	48,608	405,044	90,860	249,282	793,794
Disposals and write offs	(7,385,527)	(4,686)	(955)	(11,270)	-	(7,402,438)
At 31 December 2022	12,295,965	100,286,394	23,157,569	20,382,839	255,281	156,378,048
Depreciation						
At 1 January 2022	-	47,241,604	20,911,800	14,028,464	-	82,181,868
Charge for the year	-	2,316,404	1,247,504	1,961,824	-	5,525,732
Relating to disposals and write offs	-	(264)	(955)	(9,020)	-	(10,239)
At 31 December 2022	-	49,557,744	22,158,349	15,981,268	-	87,697,361
NBV value at 31 December	12,295,965	50,728,650	999,220	4,401,571	255,281	68,680,687

Gulf Hotel and Crown Plaza hotel are situated in Bahrain and are between 40-50 and 45 years old respectively. The conference centre building, part of Gulf Hotel, is 27 years old. The Group's hotel in Dubai is 5 years old. The Group's residential building situated in in Bahrain is 4 years old.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Bahraini Dinars

4 Property and equipment (continued)

	Freehold land	Buildings	Furniture, fittings and office equipment	Equipment and motor vehicles	Capital work-in-progress	Total
2021						
Cost						
At 1 January 2021	17,949,503	100,222,347	22,947,222	20,334,705	16,457	161,470,234
Additions	-	20,525	59,052	18,326	6,000	103,903
Transfers	-	-	16,458	-	(16,458)	-
Reversal of impairment	1,731,989	-	-	-	-	1,731,989
Disposals and write offs	-	(400)	(269,252)	(49,782)	-	(319,434)
At 31 December 2021	19,681,492	100,242,472	22,753,480	20,303,249	5,999	162,986,692
Depreciation						
At 1 January 2021	-	44,842,131	18,976,221	12,416,862	-	76,235,214
Charge for the year	-	2,399,703	2,204,831	1,655,198	-	6,259,732
Relating to disposals and write offs	-	(230)	(269,252)	(43,596)	-	(313,078)
At 31 December 2021	-	47,241,604	20,911,800	14,028,464	-	82,181,868
NBV value at 31 December	19,681,492	53,000,868	1,841,680	6,274,785	5,999	80,804,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***5. Investment properties****2022****Cost**

At 1 January 2022

Additions

At 31 December 2022**Depreciation**

At 1 January 2022

Charge for the year

At 31 December 2022**Carrying value at 31 December 2022**

	Land	Buildings	Total
At 1 January 2022	494,515	1,898,440	2,392,955
Additions	-	300	300
At 31 December 2022	494,515	1,898,740	2,393,255
At 1 January 2022	-	1,681,929	1,681,929
Charge for the year	-	55,577	55,577
At 31 December 2022	-	1,737,506	1,737,506
Carrying value at 31 December 2022	494,515	161,234	655,749

2021**Cost**

At 1 January 2021

Additions

At 31 December 2021

Depreciation

At 1 January 2021

Charge for the year

At 31 December 2021

Carrying value at 31 December 2021

	Land	Buildings	Total
At 1 January 2021	494,515	1,897,940	2,392,455
Additions	-	500	500
At 31 December 2021	494,515	1,898,440	2,392,955
At 1 January 2021	-	1,626,842	1,626,842
Charge for the year	-	55,087	55,087
At 31 December 2021	-	1,681,929	1,681,929
Carrying value at 31 December 2021	494,515	216,511	711,026

The fair value of investment property as at 31 December 2022 was BD 2,470,000 (2021: BD 2,390,000) based on a valuation performed by an independent external property valuers, having appropriate recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***6. 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
		2022	2021		
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%	51%	Joint Venture	Owning and operating a hotel

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

** the investment is accounted for as a joint venture based on shareholders' agreement whereby both parties agreed to share decision making.

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

2022	BFLC	A&E	BAHC	Total
Balance at 1 January 2022	714,911	6,943,886	318,822	7,977,619
Share of (loss)/profit for the year	(223,528)	2,028,586	(142,647)	1,662,411
Dividends received	-	(2,200,000)	-	(2,200,000)
Share in OCI of investee	-	35,032	-	35,032
Balance at 31 December 2022	491,383	6,807,504	176,175	7,475,062

2021	BFLC	A&E	BAHC	Total
Balance at 1 January 2021	914,615	6,938,041	712,000	8,564,656
Reclassification to other assets	-	-	(202,000)	(202,000)
Share of (loss)/profit for the year	(199,704)	1,359,694	(191,178)	968,812
Dividends received	-	(1,400,000)	-	(1,400,000)
Share in OCI of investee	-	46,151	-	46,151
Balance at 31 December 2021	714,911	6,943,886	318,822	7,977,619

BFLC is listed on the Bahrain Bourse. The market price at 31 December 2022 was BD 818,100 (2021: BD 818,100).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***6 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	2022	2021
Total current assets	8,263,024	7,697,134
Total non-current assets	13,643,053	14,580,067
Total current liabilities	(1,888,491)	(1,876,120)
Total non-current liabilities	(715,875)	(690,224)
Net Assets (100%)	19,301,711	19,710,857
	33%	33%
Company's share of net assets	6,433,840	6,570,220
Goodwill	373,664	373,664
Carrying amount of interest in associate	6,807,504	6,943,884
	2022	2021
Revenue	17,737,644	12,102,936
Profit for the year	6,085,818	4,079,122
Other comprehensive income	135,317	167,897
Other equity movement	(30,280)	(29,448)
Total comprehensive income for the year	6,190,855	4,247,019
Company's share of total comprehensive income (33.33%)	2,063,598	1,405,843
Dividend received by the Group	2,200,000	1,400,000
	2022	2021
BFLC		
Total current assets	559,199	575,102
Total non-current assets	1,723,059	2,723,053
Total current liabilities	(207,943)	(266,211)
Total non-current liabilities	(322,250)	(483,744)
Net Assets (100%)	1,752,065	2,548,201
	28%	28%
Company's share of net assets	491,383	714,911
Carrying amount of interest in associate	491,383	714,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars**6 Equity accounted investees (continued)*

	2022	2021
Revenue	956,582	637,715
Loss for the year	(796,735)	(699,525)
Total comprehensive income for the year	(796,735)	(699,525)
Company's share of total comprehensive income (28.06%)	(223,528)	(199,704)
Dividend received by the Group	-	-

Bahrain Airport Hotel WLL

	2022	2021
Total current assets	541,360	197,529
Total non-current assets	1,914,365	1,905,666
Total current liabilities	(2,107,241)	(1,475,643)
Total non-current liabilities	(3,041)	(2,410)
Net Assets (100%)	345,443	625,142
	51%	51%
Company's share of net assets	176,175	318,822
Carrying amount of interest in associate	176,175	318,822

	2022	2021
Revenue	387,403	247,555
Loss for the year	(279,700)	(374,858)
Total comprehensive income for the year	(279,700)	(374,858)
Company's share of total comprehensive income (51%)	(142,647)	(191,178)
Dividend received by the Group	-	-

The results for BFLC used for equity accounting are based on reviewed accounts for 12 months ended 30 September 2022 and management accounts for the 3 months ended 31 December 2022. The results for BAHC and A&E used for equity accounting was based on management accounts for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Bahraini Dinars

7. Investment securities

	2022	2021
Quoted equity securities at FVOCI	10,414,513	10,552,184
Unquoted equity securities at FVOCI	2,348,399	2,688,509
	12,762,912	13,240,693

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

	2022	2021
Balance at 1 January	13,240,693	13,164,149
Fair value movement - net	(477,781)	76,544
Balance at 31 December	12,762,912	13,240,693

8. Inventories

	2022	2021
Food and beverages	2,970,597	1,744,675
General stores	66,165	79,189
Maintenance stores	176,030	174,873
	3,212,792	1,998,737
Allowance for slow moving and obsolete inventories	(191,035)	(201,774)
	3,021,757	1,796,963

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

	2022	2021
1 January	201,774	279,911
Charge for the year	-	8,422
Write-off	(10,739)	(86,559)
At 31 December	191,035	201,774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Bahraini Dinars

9. Trade receivables

	2022	2021
Trade receivables	2,071,120	1,544,707
Related party receivables	102,952	136,627
	2,174,072	1,681,334
Impairment allowance on trade receivables	(764,303)	(736,564)
	1,409,769	944,770

Movement on impairment allowance during the year is as follow:

	2022	2021
Balance at 1 January	736,564	907,467
Charge for the year - net	124,706	37,135
Write-off	(96,967)	(208,038)
	764,303	736,564

10. Other assets

	2022	2021
Other receivables – related parties	683,575	693,575
Advances and prepayments	462,180	304,104
Security deposits	306,667	325,455
VAT recoverable	10,628	7,905
Others	904,554	681,204
	2,367,604	2,012,243

11. Cash and bank balances

	2022	2021
Bank balances	3,871,197	5,911,385
Short term bank deposits	11,500,000	-
Cash in hand	49,948	46,970
Cash and bank balances	15,421,145	5,958,355
Less: Short term deposits with maturity exceeding three months	(11,500,000)	-
Cash and cash equivalents	3,921,145	5,958,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Bahraini Dinars

12. Share capital

	Number 2022	Amount 2022	Number 2021	Amount 2021
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:

	2022	2021
Profit for the year	6,669,015	3,396,338
Weighted average number of equity shares	225,994,863	225,994,863
Basic and diluted earnings per share in fils	30	15

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 2022			31 December 2021	
	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	Bahraini	24,428,215	10.81%	24,428,215	10.81%
Y.K.Almoayyed & Sons B.S.C (c)	Bahraini	14,309,817	6.33%	14,309,817	6.33%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***12 Share capital (continued)****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:

Categories*	Number of shareholders	Number of shares	% of total outstanding shares
Less than 1 %	3,693	69,624,705	30.81%
1 % up to less than 5 %	8	31,690,835	14.02%
5 % up to less than 10 %	1	14,309,817	6.33%
10% up to less than 20%	2	52,811,175	23.37%
20% up to less than 50%	1	57,558,331	25.47%
Total	3,705	225,994,863	100.00

* 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:

Director	31 December 2022		31 December 2021	
	No. of shares	% of total outstanding share capital	No. of shares	% of total outstanding share capital
Farouk Yousuf Almoayyed	4,234,297	1.87%	4,234,297	1.874%
Fawzi Ahmed Ali Kanoo	198,900	0.09%	193,975	0.085%
Khalid Mohamed Kanoo	141,436	0.06%	141,436	0.063%
Mohamed Jassim Buzizi	448,119	0.20%	448,119	0.198%
Adel Hussain Mahdi Almasqati	56,508	0.03%	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:

	2022	2021
Number of shares	147,689,599	143,009,376
Percentage of holdings	65.35%	63.28%

13. Other reserves**a) Statutory reserve**

The Commercial Companies Law requires 10% of the profit for the year to be appropriated to 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 remeasurement of investment securities at FVTOCI are recognized in the investment fair value reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***14. Employees' end of Service Benefits**

The Group's contributions in respect of Bahraini employees for the year was BD 240,857 (2021: BD 231,434). The Group employed 960 staff at 31 December 2022 (2021: 770). Movement on provision of end of service benefits during the year was as follows:

	2022	2021
Balance at 1 January	1,124,070	1,173,882
Charge for the year	264,291	90,737
Paid during the year	(205,158)	(140,549)
Balance at 31 December	1,183,203	1,124,070

15. Bank loans

	2022	2021
Current	-	2,682,000
Non-current	-	2,700,000
	-	5,382,000

In 2018, the Group obtained a bank loan of BD 18,000,000 bearing interest rate of BIBOR+2.1% to purchase a 4-star hotel in Dubai secured by other properties of the Group with a carrying value of BD 8,843,670.

16. Trade payables

	2022	2021
Trade payables	3,056,078	2,005,236
Related parties payable	97,060	75,247
	3,153,138	2,080,483

17. Accrued expenses and other liabilities

	2022	2021
Accrued expenses	1,379,920	533,801
Payables to contractors	61,668	40,555
Accrued staff benefits	794,651	249,948
Accrued interest	-	216,212
Government levy	204,170	371,137
Other payables	1,415,184	1,618,948
	3,855,593	3,030,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***18. Revenue**

	2022	2021
Food and beverages	20,178,759	14,971,800
Hotel rooms	10,094,217	7,129,853
Others	1,122,440	899,352
	31,395,416	23,001,005

19. Rental and other income

	2022	2021
Rental income	757,831	585,358
Management fee	277,743	125,331
Other income	225,649	231,714
Government grant	-	365,145
	1,261,223	1,307,548

Government grant

Following the onset of Covid 19 in March 2020, the government of Bahrain implemented a package of measures to support businesses cope with the impact of the virus. In 2021, the group received a total subsidy BD 365 thousands towards reimbursement of Bahraini staff cost and waiver of electricity, water other government fees

20. Staff cost

	2022	2021
Salaries and allowances	5,156,590	4,193,866
Other staff benefits	1,476,141	450,096
Other staff cost	2,483,921	2,064,775
	9,116,652	6,708,737

21. Food and beverage cost

	2022	2021
Food	1,935,990	1,060,574
Beverage	5,118,249	4,594,010
	7,054,239	5,654,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***22. Other operating expenses**

	2022	2021
Commission	1,308,074	784,758
Guest supplies	667,792	501,113
Maintenance	441,493	346,998
Legal and professional fee	412,166	255,446
Entertainment	369,145	127,202
Directors' sitting fee and remuneration	282,600	121,000
Marketing	266,563	241,792
Information technology	226,368	203,322
Municipality and taxes	48,300	48,320
Foreign exchange loss	435,710	-
Other expenses	1,315,421	1,046,697
	5,773,632	3,676,648

23. Proposed appropriations

The board is proposing dividend for the year ended 31 December 2022 of 25 fils per share amounting to BD 5,649,872. The proposed appropriation of the 2022 profit is subject to approval by the shareholders at the Annual General Meeting. In the annual general meeting on 23 March 2022, the shareholders approved a dividend of BD 4,519,871 for the year 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022**

Bahraini Dinars

24. Related parties

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 arise in the normal course of business and are on terms agreed between the parties.

Transactions with related parties during the year are as follows:

	31 December 2022					31 December 2021				
	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	527,404	318,660	239,377	77,167	-	347,057	129,893	125,331	389,892	-
Associates (note 6)	241,409	48,757	38,366	-	1,662,411	310,861	82,753	-	-	968,812
Directors and related affiliates	53,983	60,696	-	-	-	39,205	45,009	-	-	-
	822,796	428,113	277,743	77,167	1,662,411	697,123	257,655	125,331	389,892	968,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022**

Bahraini Dinars

24 *Related Parties (continued)*

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

	31 December 2022				31 December 2021			
	Trade receivables	Other receivables	Trade payables	Bank loan	Trade receivables	Other receivables	Trade payables	Bank loan
Major shareholders and their affiliates	82,047	2,917	54,147	-	57,030	2,917	37,186	5,382,000
Associates (note 6)	13,755	680,658	16,228	-	26,666	690,658	35,209	-
Directors and related affiliates	7,150	-	26,685	-	52,931	-	2,852	-
	102,952	683,575	97,060	-	136,627	693,575	75,247	5,382,000

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 with related parties.

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:

	2022	2021
Salaries and short-term employee benefits	615,031	296,747
Post-employment benefits	28,752	16,800
Directors attendance fees and remuneration	282,600	121,000
	926,383	434,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars*

25. Financial risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***25 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:

	2022	2021
Trade receivables	1,409,769	944,770
Other assets	1,905,414	1,708,139
Bank balances	15,371,197	5,911,386
	18,686,380	8,564,295

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

	2022	2021
Bahrain	17,561,931	7,415,968
UAE	979,597	1,036,846
Others	144,852	111,481
	18,686,380	8,564,295

The ageing of receivables at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
Neither past due nor impaired	460,798	(45,482)	321,826	(44,640)
Past due 0-90 days	743,348	(138,966)	613,573	(109,671)
Past due 91-180 days	56,680	(29,665)	115,158	(69,242)
More than 180 days	913,246	(550,190)	630,778	(513,012)
	2,174,072	(764,303)	1,681,335	(736,565)

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 1,779 (2021: BD 53,820) loss and BD 2,519 (2021: BD 53,820) gain on the profit and equity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***25 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.

	2022			2021		
	Change in equity price	Effect on equity	Effect on profit	Change in equity price	Effect on equity	Effect on profit
<i>Investment securities (quoted)</i>	+10%	1,041,451	-	+10%	1,055,219	-

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 listed on Bahrain Bourse.

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

2022	Carrying amount	Gross contractual cash flows			
			Within 1 Year	1 year to 5 years	Over 5 years
Trade payables	3,153,138	3,153,138	3,153,138	-	-
Accrued expenses and other liabilities	3,855,593	3,855,593	3,855,593	-	-
	7,008,731	7,008,731	7,008,731	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***25 Financial risk management (continued)***c) Liquidity risk (continued)*

2021	Carrying amount	Gross contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Trade and other payables	5,111,084	5,111,084	5,111,084	-	-
Bank term loans	5,382,000	5,595,626	2,860,008	2,735,618	-
	10,493,084	10,493,084	7,971,092	2,735,618	-

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.

26. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars**26 Fair value and classification of financial instruments (continued)**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 2022	Level 1	Level 2	Level 3	Total fair value
Equity securities at FVOCI	4,085,277	6,329,236	2,348,399	12,762,912

31 December 2021	Level 1	Level 2	Level 3	Total fair value
Equity securities at FVOCI	10,552,184	-	2,688,509	13,240,693

There were no transfers between Level 1 and Level 3 of the fair value hierarchy during the year ended 31 December 2022. 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:

	2022	2021
Balance at 1 January	2,688,509	2,812,996
Total gains or losses:		
- in other comprehensive income	(340,110)	(124,487)
Balance at 31 December	2,348,399	2,688,509

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.

27. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2022***Bahraini Dinars***28. Segmental Information**

For management purposes, the Group is organised into three 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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For the year ended 31 December 2022

Bahraini Dinars

28 Segmental Information (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
Year ended 31 December								
Revenue	11,216,657	8,029,205	20,178,759	14,971,800	-	-	31,395,416	23,001,005
Investment income	-	-	-	-	2,200,941	1,440,226	2,200,941	1,440,226
Gain on sale of asset held for sale	-	-	-	-	819,228	-	819,228	-
Interest income	-	-	-	-	211,106	9,544	211,106	9,544
Reversal on property and equipment	-	-	-	-	-	1,731,989	-	1,731,989
Rental and other income	288,118	713,423	13,342	32,645	959,763	561,480	1,261,223	1,307,548
Total revenue	11,504,775	8,742,628	20,192,101	15,004,445	4,191,038	3,743,239	35,887,914	27,490,312
Staff cost	7,094,009	5,192,289	859,890	835,319	1,162,753	681,129	9,116,652	6,708,737
Food and beverage cost	-	-	7,054,239	5,654,585	-	-	7,054,239	5,654,585
Utilities	1,515,553	1,334,042	31,218	33,203	-	-	1,546,771	1,367,245
Other operating and general expenses	4,284,918	3,069,997	788,185	240,015	700,529	366,636	5,773,632	3,676,648
Impairment allowance on trade receivables	124,706	17,325	-	-	-	19,810	124,706	37,135
Interest expense	-	-	10,128	-	67,039	389,892	77,167	389,892
Depreciation	5,388,292	4,064,927	131,706	2,170,321	5,734	24,484	5,525,732	6,259,732
Total expenses	18,407,478	13,678,580	8,875,366	8,933,443	1,936,055	1,481,951	29,218,899	24,093,974
Segment (loss) / profit for the period	(6,902,703)	(4,935,952)	11,316,735	6,071,002	2,254,983	2,261,288	6,669,015	3,396,338

Total assets	47,186,058	50,417,924	29,274,016	29,643,446	35,334,611	33,385,124	111,794,685	113,446,494
Total liabilities	4,178,351	2,993,846	3,094,083	2,359,374	919,500	6,263,935	8,191,934	11,617,155

Capital expenditure	784,276	56,226	3,236	46,422	6,282	1,255	793,794	103,903
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

Bahraini Dinars

29. 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 2022	5,111,084	5,382,000	40,113,929	24,310,692	37,404,718	112,322,423
Repayment of loans and borrowings	-	(5,382,000)	-	-	-	(5,382,000)
Dividend paid	(4,519,584)	-	-	-	-	(4,519,584)
Donations paid	-	-	-	(34,310)	-	(34,310)
Interest paid	(293,379)	-	-	-	-	(293,379)
Total changes from financing cash flows	(4,812,963)	(5,382,000)	-	(34,310)	-	(10,229,273)
Changes in fair value	-	-	-	(442,749)	-	(442,749)
Other changes	-	-	-	101,327	6,669,015	6,770,342
Liability-related	2,113,572	-	-	-	-	2,113,572
Dividends declared	4,519,871	-	-	-	(4,519,871)	-
Interest expense	77,167	-	-	-	-	77,167
Total liability-related other changes	6,710,610	-	-	-	-	6,710,610
Total equity-related other changes	-	-	-	(341,422)	2,149,142	1,807,722
Balance at 31 December 2022	7,008,721	-	40,113,929	23,934,960	39,553,862	110,611,482