

Gulf Hotels Group B.S.C

**CONSOLIDATED
FINANCIAL STATEMENTS**

31 December 2021

Gulf Hotels Group B.S.C.

**Consolidated Financial Statements
For the year ended 31 December 2021**

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GENERAL INFORMATION

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

SHARE CAPITAL

Authorised : BD 30,000,000 (2020: BD 30,000,000) divided into
300,000,000 shares (2020: 300,000,000 shares) of 100 fils each
Issued and fully paid-up : BD 22,599,487 (2020: BD 22,599,487)

BOARD OF DIRECTORS

: Farouk Yousuf Almoayyed (Chairman)
: Fawzi Ahmed Kanoo (Vice Chairman)
: Mohammed Hussain Yateem (Left Oct 2021)
: 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)
: Mohammed Hussain Yateem (Left Oct 2021)
: 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)
: Mohammed Hussain Yateem (Left Oct 2021)
: 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 : Karvy Computershare WLL
Office No 74 , Al Zamil Tower
Manama , Kingdom of Bahrain

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

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

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

On behalf of the Board of Directors, I have the pleasure of submitting the Annual Report and Financial Statements of the Gulf Hotels Group BSC, for the year ended 31st December 2021.

MARKET TRENDS AND COMPARATIVE PERFORMANCE

During 2021, we have continued to see the impact of Covid-19 in the Travel and Tourism Sector throughout the whole year, although restrictions eased in the second half of the year and business improved, in particular the weekend regional travel into Bahrain. This positively impacted on weekend occupancy levels and in food and beverage outlets, however weekday occupancy levels remained low.

The Bahrain market was further impacted by an over-supply of rooms which has a negative impact on room rates and a huge impact on profitability. This was a factor that already existed prior to Covid-19 but has been amplified with the impact of the pandemic.

Whilst Bahrain Tourism & Exhibitions Authority recently announced a range of initiatives to help boost tourism, these are yet to yield tangible results and more needs to be done to assist the ailing hospitality sector.

Trading has been further impacted in our retailing division by the challenges facing the shipping industry, resulting in an unpredictable shipping schedules, delayed consignments and significantly higher costs.

The Group's latest hotel, the Bahrain Airport Hotel, opened in March 2021, being located within the new Bahrain Airport. The 84-unit property has received very positive feedback and although business has initially been low due to the limited traffic through the airport, we expect that things will improve as the passenger numbers grow.

Business in our UAE property, Gulf Court Hotel Business Bay in Dubai, showed a dramatic improvement from the last quarter of 2021 due to the influx of visitors to Expo 2020, which runs until 31st March 2022.

We are exceptionally grateful for our Government's handling of the COVID pandemic crisis, working tirelessly to keep the population safe and then rolling out an efficient vaccination program that is now yielding positive results and returning day-to-day life to normality.

Despite inconsistency in the business environment, the Group managed to maintain a positive cash position throughout the year and remains strong and well equipped to prosper in 2022.

RESULTS

- Gross Operating Revenue amounted to BD **22,918,093** plus other revenue amounting to BD **2,840,230**.
- Gross Operating Profit amounted to BD **10,468,161**
- Net Profit amounted to BD **3,396,338**

The increase in revenue of BD 3,182,463 or 16% against last year is attributed to the business pickup across the group's units which, resulted in a net profit of BD 3,396,338 vs. a loss of BD 8,127,985 in 2020; such profit was achieved by an increase of BD 121,884 in rental and other income, and Profit from associates by BD 315,239. Besides the decrease in depreciation vs last year by BD 1,063,779. There was a reversal on property impairment in 2021 BD 1,731,989 vs. last year of BD 5,064,680 and BD 37,135 for doubtful provision against BD 608,895 of last year. However, Group dividend income decreased by BD 130,733 vs 2020, Interest income has decreased by BD 56,455, as well as a decrease in Government grant by BD 557,733.

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 2022.

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

- Dividend of 20% (BD 4,519,897) equal to 20 fils per share.
- Board of Director's remuneration BD 180,000

FUTURE PROSPECTS

The Group aims to develop an exciting new beach club concept as part of the new Bahrain Bay Beach development and work will commence on this in 2022.

Management is also working on adding new hotels to the portfolio by 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.



Farouk Yousuf Almoayyed
Chairman of the Board

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
	Proposed remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total			
First: Independent Directors													
1- Mr. Jassim Abdulal	17,500	15,000	-	-	32,500	-	-	-	-	-	-	32,500	-
2- Mr. Adel Maskati	17,500	10,600	-	-	28,100	-	-	-	-	-	-	28,100	-
Second: Non-Executive Directors													
1-Mr. Farouk Yousuf Almoayyed	22,500	11,400	-	-	33,900	-	-	-	-	-	-	33,900	-
2-Mr. Fawzi Ahmed Kanoo	17,500	12,300	-	-	29,800	-	-	-	-	-	-	29,800	-
4-Mr. Khalid Mohammed Kanoo	17,500	10,200	-	-	27,700	-	-	-	-	-	-	27,700	-
5-Mr. Ahmed Janahi ***	17,500	14,600	-	-	32,100	-	-	-	-	-	-	32,100	-
6-Mr. Oliver Harnisch ***	17,500	11,800	-	-	29,300	-	-	-	-	-	-	29,300	-
7-Mr. Andrew Day***	4,375	3,000	-	-	7,375	-	-	-	-	-	-	7,375	-

8-Mr. Khalid Taqi ***	17,500	14,600	-	-	32,100	-	-	-	-	-	-	32,100	-
9-Mr. Mohammed Jassim Buzizi	17,500	14,600	-	18,000	50,100	-	-	-	-	-	-	50,100	-
10-Mr. Mohamed Yateem (left Sep 21)	13,125	6,100	-	-	19,225	-	-	-	-	-	-	19,225	-

Third: Executive Directors

N/A

Total

All amounts are in Bahraini Dinars.

Other remunerations:

* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

** It includes the board member's share of the profits - Granted shares (insert the value) (if any).

*** Remuneration is paid to the company he represents.

Second: Executive management remuneration details

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 20XX	Aggregate Amount
Top 6 remunerations for executives, (including CEO and Chief Financial Officer)	313,547	-	-	313,547
All amounts are in Bahraini Dinars.				



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 Kingdom of Bahrain

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 CR No. 6220

Independent auditors' report

To the Shareholders of

Gulf Hotels Group BSC
B.O. BOX
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 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International 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 Note (5) 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 70% of total assets (by value); and ▪ assessment of indicators of impairment and estimation of recoverable amount by the Group involves significant judgement and estimation 	<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;



uncertainty especially in the current operating environment arising from Covid-19.

- evaluating the appropriateness of the impairment assessment methodology used by the external, independent valuers; and
- 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, 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.
- 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, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
 - a) appointed a corporate governance officer; and
 - b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jalil AlAali.


KPMG Fakhro
 Partner Registration Number 100
 27 February 2022


CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2021

Bahraini Dinars

	Note	31 December 2021	31 December 2020
ASSETS			
Property and equipment	5	80,804,824	85,235,020
Investment properties	6	711,026	765,613
Equity accounted investees	7	7,977,619	8,564,656
Investment securities	8	13,240,693	13,164,149
Total non-current assets		102,734,162	107,729,438
Inventories	9	1,796,963	2,738,257
Trade receivables	10	944,770	653,210
Other assets	11	2,012,243	3,422,022
Cash and cash equivalents	12	5,958,355	4,237,306
Total current assets		10,712,331	11,050,795
Total assets		113,446,493	118,780,233
EQUITY			
Share capital	13	22,599,487	22,599,487
Share premium		17,514,442	17,514,442
Other reserves	14	24,310,692	24,239,290
Retained earnings		37,404,718	36,268,329
Total equity		101,829,339	100,621,548
LIABILITIES			
Employees' end of service benefits	15	1,124,070	1,173,882
Non-current portion of bank loan	16	2,700,000	7,758,000
Total non-current liabilities		3,824,070	8,931,882
Trade payables	17	2,080,483	1,937,589
Accrued expenses and other liabilities	18	3,030,601	3,207,214
Current portion of bank loan	16	2,682,000	4,082,000
Total current liabilities		7,793,084	9,226,803
Total liabilities		11,617,154	18,158,685
Total equity and liabilities		113,446,493	118,780,233

The consolidated financial statements were approved by the board of directors on 27 February 2022 and signed on its behalf by:


 Farouk Yousuf Almoayyed
 Chairman


 Garfield Jones
 Chief Executive Officer


 Fawzi Ahmed Kanoo
 Vice Chairman


 Charbel Sarkis
 Chief Financial Officer

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

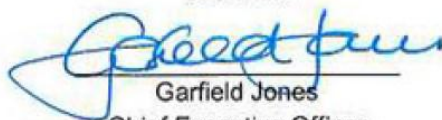
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

Bahraini Dinars

	Note	2021	2020
Revenue	19	22,918,093	19,735,630
Operating costs	20	(12,449,932)	(12,305,614)
Gross profit		10,468,161	7,430,016
Dividend income		471,414	602,147
Rental and other income	21	1,025,315	903,431
Share of profit from equity accounted investees	7	968,812	653,573
Government grant	22	365,145	922,878
Interest income		9,544	65,999
Total income		13,308,391	10,578,044
Administrative staff cost		2,535,831	2,671,281
Utilities and other expenses	23	2,421,452	2,310,613
Depreciation of property and equipment	5	6,259,732	7,323,511
Interest expense		389,892	727,049
Impairment allowance on trade receivables	10	37,135	608,895
Profit/ (loss) before impairment on property and equipment		1,664,349	(3,063,305)
Reversal/(Impairment charge) on property and equipment	5	1,731,989	(5,064,680)
Profit/(loss) for the year		3,396,338	(8,127,985)
Basic and diluted earnings per share (fils)	13	15	(36)



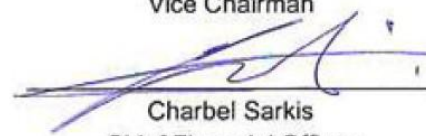
Farouk Yousuf Almoayyed
Chairman



Garfield Jones
Chief Executive Officer



Fawzi Ahmed Kanoo
Vice Chairman



Charbel Sarkis
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

Bahraini Dinars

	Note	2021	2020
Profit/(loss) for the year		3,396,338	(8,127,985)
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments at FVOCI – net change in fair value	8	76,561	(202,209)
Investment in associates – share in investment fair value reserve	7	46,151	(51,220)
Total other comprehensive income for the year		122,712	(253,429)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,519,050	(8,381,414)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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 30 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021 (continued)

Bahraini Dinars

	Share capital	Share premium	Other reserves				Retained earnings	Total equity
			Statutory reserve	General reserve	Charity reserve	Investment fair value reserve		
2020								
As at 1 January 2020	22,599,487	17,514,442	11,299,744	5,000,000	2,207,221	6,313,344	50,044,780	114,979,018
Comprehensive income:								
Loss for the year	-	-	-	-	-	-	(8,127,985)	(8,127,985)
Other comprehensive income for the year	-	-	-	-	-	(253,429)	-	(253,429)
Total comprehensive income for the year	-	-	-	-	-	(253,429)	(8,127,985)	(8,381,414)
Utilisation of donation reserve	-	-	-	-	(327,590)	-	-	(327,590)
Dividends declared for 2019	-	-	-	-	-	-	(5,648,466)	(5,648,466)
At 31 December 2020	22,599,487	17,514,442	11,299,744	5,000,000	1,879,631	6,059,915	36,268,329	100,621,548

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

Bahraini Dinars

	Note	2021	2020
Cash flow from operating activities			
(Loss)/profit for the year		3,396,338	(8,127,985)
Adjustments for:			
Depreciation		6,259,732	7,323,511
Share of profit from equity accounted investees	7	(968,812)	(653,573)
Dividend income		(471,414)	(602,147)
Interest income		(9,544)	(65,999)
Interest expense		389,892	727,049
(Reversal)/Impairment of property and equipment		(1,731,989)	5,064,680
Impairment allowance on trade and other receivables		37,135	608,895
Provision/(reversal) for allowance for slow moving inventories		-	7,773
Provision for employees' end of service benefits		90,737	240,415
Profit for the year after adjustments		6,992,075	4,522,619
Change in operating assets and liabilities:			
Inventories		941,298	400,161
Trade and other receivables		1,283,086	1,214,117
Trade and other liabilities		(533,220)	(2,392,364)
Directors' remuneration		(104,300)	(273,900)
Employees' end of service benefits		(140,549)	(555,779)
Net cash from operating activities		8,438,390	2,914,854
Cash flow from investing activities			
Purchase of property and equipment		(42,960)	(554,667)
Disposal of investment securities		-	891
Investment in joint venture		-	(712,000)
Interest received		9,544	65,999
Dividend received from an associate	7	1,400,000	2,100,000
Dividends received from investment securities		471,414	602,147
Net cash from investing activities		1,837,998	1,502,370
Cash flow from financing activities			
Dividends paid		(2,338,889)	(5,662,383)
Payments for donations		(51,310)	(327,590)
Interest paid		292,860	(600,526)
Repayment of bank loan		(6,458,000)	(720,000)
Net cash used in financing activities		(8,555,339)	(7,310,499)
Net increase/(decrease) in cash and cash equivalents		1,721,049	(2,893,275)
Cash and cash equivalents at 1 January		4,237,306	7,130,581
Cash and cash equivalents as at 31 December	12	5,958,355	4,237,306

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***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, Commerce and Tourism under commercial registration (CR) number 950. The postal address of the Company's registered head office is P.O Box 580, Manama, Kingdom of Bahrain.

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

The Group owns and operates the Gulf Hotel and Crown plaza Hotels in the Kingdom of Bahrain and Gulf Court Hotel Business Bay in Dubai, UAE, 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, and 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 S.P.C.	100%	4 December 2002	Bahrain	Managing hotels and restaurants and provision of catering services catering services.
Gulf Hotel Laundry Services	100%	1 February 2014	Bahrain	Provision of laundry services.
Bahrain Tourism Company – Crowne Plaza hotel	100%	31 May 2016	Bahrain	Hotel operations
Gulf Court Hotel Business Bay	100%	07-Mar-2018	UAE	Hotel operations

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

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

Going concern basis of accounting

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

b) Basis of measurement

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

c) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***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 requires, management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or in the period of the revision and any future period, if the revision affects both current and future periods.

Judgments

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

Going concern

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

Impairment of property and equipment

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

e) New standards, amendments and interpretations effective from 1 January 2021

There were no new standards, amendments to standards and interpretations, which became effective on 1 January 2021, that were relevant and material to the Group.

f) New standards, amendments and interpretations issued by not yet effective*(i) IAS 1 – classification of liabilities as current and non-current.*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***2 Basis of preparation (continued)****(ii) Definition of Accounting Estimates (Amendments to IAS 8)**

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group does not expect a significant impact on its consolidated financial statements from adopting this amendment.

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***3 Significant accounting policies (continued)**

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

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

(vi) Business combination

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

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

b) Foreign currency

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

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

c) Revenue

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

i) Letting hotel rooms

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

ii) Sale of food and beverages

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

iii) Management fees

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***3 Significant accounting policies (continued)****iv) Rental income**

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

v) Interest income

Interest income is recognised using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or liability.

vi) Dividend income

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

d) Employee Benefits***Bahraini employees***

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

Expatriate employees

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

e) Inventories

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

f) Property and equipment***i. Recognition and measurement***

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

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

ii. Subsequent measurement

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

iii. Depreciation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***3 Significant accounting policies (continued)**

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***3 Significant accounting policies (continued)**

On initial recognition of an equity security that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an security-by-security basis.

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

Financial assets – Business model assessment:

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***3 Significant accounting policies (continued)***Financial liabilities*

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

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

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Impairment of financial instruments

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

The Group measures loss allowances for trade and other receivables based on simplified approach i.e. an amount equal to lifetime ECLs, however for cash and bank balances, measurement of loss allowances is based on 12-month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Measurement of ECLs**Trade and other receivables - (Simplified approach)**

The Group uses an allowance matrix to measure the ECLs of trade and other receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate (Net-flow)' method based on the probability of a receivable progressing through successive stages of delinquency to the loss bucket. Recovery from the loss bucket is also considered for computing the historical loss rates. Loss rates are based on actual credit loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and group view of economic conditions over the expected lives of the receivables. The forward looking adjustment of the loss rates is based on a qualitative score card which factors the management's view on the future economic and business conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***3 Significant accounting policies (continued)****Cash and Bank balances – (General approach)**

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; and
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

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 2021***Bahraini Dinars***3 Significant accounting policies (continued)****n) Provisions**

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

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 2021***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.

4. Impact of COVID-19

The outbreak of the COVID-19 pandemic across the world and the measures adopted by governments worldwide to mitigate its spread have sharply affected the travel and hospitality industries since March 2020. These measures included restriction on travel, border closings, lockdown, quarantines measures, closure of certain operations including in-door dining and event restrictions, with the Group generating most of its revenue during the year from sale of beverages through its retail stores. The Group's operations have slightly recovered with a 16% increase in its core revenue. This has impacted the Group's financial performance during the year and also its liquidity position (refer note 26 (c)).

The Government of Kingdom of Bahrain has provided financial support to the affected industries and businesses to mitigate some of the impact of Covid-19. During the year, the Group received a total subsidy of BD 365 thousands (2020: 922 thousands) towards reimbursement of Bahraini staff salaries, waiver of electricity and water charges and other government levy. These amounts have been accounted for as government grant in profit or loss in accordance with IAS 20.

For the year ended 31 December 2021, the Group generated net cash flow for the year of BD 1,721 thousands. The Group's current assets as at 31 December 2021 were BD 10,712 thousand compared to current liabilities of BD 7,793 thousand.

Depending on the duration of the COVID-19 crises and continued negative impact on economic activity, the Group might experience negative results and liquidity constraint and could incur impairment on its assets in 2022. The exact impact on the activities in 2022 cannot be predicted.

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5. Property and equipment

	Freehold land	Buildings on freehold land	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)	-	(313,079)
At 31 December 2021	-	47,241,604	20,911,800	14,028,464	-	82,181,867
NBV value at 31 December	19,681,492	53,000,868	1,841,680	6,274,785	5,999	80,804,824

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 26 years old. The Group's hotel in Dubai is 4 years old. The Group's residential building situated in Bahrain is 3 years old.

The Covid-19 crisis has adversely affected the travel and hospitality industries in all the countries in which the Group operates. Given the impact on the business, the Group assessed the recoverability of the carrying value of its Hotel and other properties. The impairment tests were carried out by an external, independent property valuers, having appropriate recognised qualification and experience in the location and category of the property being assessed taking into account the expected impacts of the health crisis and the economic conditions for recovery.

For freehold lands located in Dubai and Bahrain, the sales comparison approach was used resulting in a total write back of impairment of BD 1,731,989.

For the Hotel property in Dubai, discounted cash flow method was used with a forecast period of 11 years, discount rate of 8% and average growth rate of 7% resulting in Nil impairment for the year (2020: 2,426,111). For hotel properties in Bahrain, discounted cash flow method was used with a forecast period of 11 years, discount rate of 11.5% and average growth rate of 10% resulting in Nil impairment for the year (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars**5 Property and equipment (continued)*

The 31 December 2021 valuation contains a 'material valuation uncertainty' clause due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion. As a result of this increased uncertainty, the assumptions may be revised significantly in 2022.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. Investment properties

2021

Cost

At 1 January 2021

Additions

At 31 December 2021

Accumulated 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

2020

Cost

At 1 January 2020

Additions

At 31 December 2020

Accumulated depreciation

At 1 January 2020

Charge for the year

At 31 December 2020

Carrying value at 31 December 2020

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

The fair value of investment property as at 31 December 2021 was BD 2,390,000 (2020: BD 2,288,821) 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 2021***Bahraini Dinars***7. Equity accounted investees**

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

Name of the entity	Place of business / country	Percentage of ownership interest*		Nature of relationship	Principal activities
		2021	2020		
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:

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

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

BFLC is listed on the Bahrain Bourse. The market price at 31 December 2021 was BD 818,100 (2020: BD 818,100).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars**7 Equity accounted investees (continued)*

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

African & Eastern (Bahrain) WLL	2021	2020
Total current assets	7,697,134	5,691,884
Total non-current assets	14,580,067	15,667,281
Total current liabilities	(1,876,120)	(1,253,864)
Total non-current liabilities	(690,224)	(411,973)
Net Assets (100%)	19,710,857	19,693,328
	33%	33%
Company's share of net assets	6,570,220	6,564,377
Goodwill	373,664	373,664
Carrying amount of interest in associate	6,943,884	6,938,041
	2021	2020
Revenue	12,102,936	10,979,392
Profit for the year	4,079,122	2,915,475
Other comprehensive income	167,897	(159,724)
Total comprehensive income for the year	4,247,019	2,755,751
Company's share of total comprehensive income (33.33%)	1,405,843	920,596
Dividend received by the Group	1,400,000	2,100,000
	2021	2020
Total current assets	575,102	202,607
Total non-current assets	2,723,053	3,949,038
Total current liabilities	(266,211)	(370,519)
Total non-current liabilities	(483,744)	(491,668)
Net Assets (100%)	2,548,201	3,289,458
	28%	28%
Company's share of net assets	714,911	914,615
Carrying amount of interest in associate	714,911	914,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars**7 Equity accounted investees (continued)*

	2021	2020
Revenue	637,715	491,490
Loss for the year	(699,525)	(1,107,468)
Total comprehensive income for the year	(699,525)	(1,107,468)
Company's share of total comprehensive income (28.06%)	(199,704)	(318,243)
Dividend received by the Group	-	-

Bahrain Airport Hotel WLL

	2021	2020
Total current assets	197,529	6,693
Total non-current assets	1,905,666	2,187,307
Total current liabilities	(1,475,643)	(1,194,000)
Total non-current liabilities	(2,410)	-
Net Assets (100%)	625,142	1,000,000
	51%	51%
Company's share of net assets	318,822	510,000
Carrying amount of interest in associate	318,822	510,000

	2021	2020
Revenue	247,555	-
Loss for the year	(374,858)	-
Total comprehensive income for the year	(374,858)	-
Company's share of total comprehensive income (51%)	(191,178)	-
Dividend received by the Group	-	-

The results for BFLC used for equity accounting are based on reviewed accounts for 9 months ended 30 September 2021 and management accounts for the 3 months ended 31 December 2021. The results for BAHC and A&E used for equity accounting was based on management accounts for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Bahraini Dinars

8. Investment securities

	2021	2020
Quoted equity securities at FVOCI	10,552,184	10,351,153
Unquoted equity securities at FVOCI	2,688,509	2,812,996
	13,240,693	13,164,149

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

	2021	2020
Balance at 1 January	13,164,149	13,366,358
Fair value movement - net	76,544	(202,209)
Balance at 31 December	13,240,693	13,164,149

9. Inventories

	2021	2020
Food and beverages	1,744,675	2,707,614
General stores	79,189	116,225
Maintenance stores	174,873	194,329
	1,998,737	3,018,168
Allowance for slow moving and obsolete inventories	(201,774)	(279,911)
	1,796,963	2,738,257

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

	2021	2020
1 January	279,911	272,138
Charge for the year	8,422	9,369
Write-off/release during the year	(86,559)	(1,596)
At 31 December	201,774	279,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. Trade receivables

	2021	2020
Trade receivables	1,544,707	1,398,413
Related party receivables (note 25)	136,627	162,264
	1,681,334	1,560,677
Impairment allowance on trade receivables	(736,564)	(907,467)
	944,770	653,210

Movement on impairment allowance during the year is as follow:

	2021	2020
Balance at 1 January	907,467	298,704
Charge for the year - net	37,135	608,895
Write-off/release during the year	(208,038)	(132)
	736,564	907,467

11. Other assets

	2021	2020
Other receivables – related parties (note 25)	693,575	45,989
Advances and prepayments	304,104	279,824
Security deposits	325,455	322,316
VAT recoverable*	7,905	1,795,500
Others	681,204	978,393
	2,012,243	3,422,022

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

12. Cash and cash equivalents

	2021	2020
Cash and bank balances	5,958,355	4,237,306
	5,958,355	4,237,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. Share capital

	Number 2021	Amount 2021	Number 2020	Amount 2020
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:

	2021	2020
Profit/(Loss) for the year	3,396,338	(8,197,584)
Weighted average number of equity shares	225,994,863	225,994,863
Basic and diluted earnings per share in fils	15	(36)

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 2021			31 December 2020	
	Nationality	No. of shares	Shareholding (%)	No. of shares	Shareholding (%)
Bahrain Mumtalakat Holding Co. B.S.C. (c)	Bahraini	57,558,331	25.47%	57,558,331	25.47%
Social Insurance Organization	Bahraini	28,382,960	12.56%	28,382,960	12.56%
Family Investment Company Ltd.	Bahraini	24,428,215	10.81%	24,428,215	10.81%
Y.K.Almoayyed & Sons B.S.C (c)	Bahraini	14,309,817	6.3%	14,309,817	6.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***13 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 %	3,776	69,897,185	31.92
1 % up to less than 5 %	9	45,788,370	19.26
5 % up to less than 10 %	2	28,322,762	12.53
10% up to less than 20%	1	24,428,215	10.82
20% up to less than 50%	1	57,558,331	25.47
Total	3,789	225,994,863	100.00

* 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 2021		31 December 2020	
	No. of shares	% of total outstanding share capital	No. of shares	% of total outstanding share capital
Farouk Yousuf Almoayyed	4,234,297	1.874%	4,234,297	1.874%
Fawzi Ahmed Ali Kanoo	193,975	0.085%	193,975	0.085%
Khalid Mohamed Kanoo	141,436	0.063%	141,436	0.063%
Mohamed Husain Yateem	-	-	1,783,153	0.789%
Mohamed Jassim Buzizi	448,119	0.198%	448,119	0.198%
Adel Hussain Mahdi Almasqati	56,508	0.025%	56,508	0.025%

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

	2021	2020
Number of shares	143,009,376	143,009,376
Percentage of holdings	63.28%	63.28%

14. 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 2021***Bahraini Dinars***15. Employees' end of Service Benefits**

The Group's contributions in respect of Bahraini employees for the year was BD 231,434 (2020: BD 218,691). The Group employed 770 staff at 31 December 2021 (2020: 764). Movement on provision of end of service benefits during the year was as follows:

	2021	2020
Opening balance	1,173,882	1,489,246
Charge during the year	90,737	240,415
Paid during the year	(140,549)	(555,779)
	1,124,070	1,173,882

16. Bank loans

	2021	2020
Current	2,682,000	4,082,000
Non-current	2,700,000	7,758,000
	5,382,000	11,840,000

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.

17. Trade payables

	2021	2020
Trade payables	2,005,236	1,887,008
Related parties payable	75,247	50,581
	2,080,483	1,937,589

18. Accrued expenses and other liabilities

	2021	2020
Accrued expenses	533,801	643,435
Payables to contractors	40,555	181,371
Accrued staff benefits	249,948	253,269
Accrued interest	216,212	245,704
Government levy	371,137	6,205
Other payables	1,618,948	1,877,230
	3,030,601	3,207,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. Revenue

	2021	2020
Food and beverages	14,975,440	14,133,625
Rooms	7,127,813	4,811,078
Other operating revenue	814,840	790,927
	22,918,093	19,735,630

20. Operating costs

	2021	2020
Food and beverages	6,404,597	5,946,236
Payroll and related costs	3,436,322	4,459,168
Rooms	1,263,307	718,122
Other operating departments	157,939	119,100
Other overhead costs	1,187,767	1,062,988
	12,449,932	12,305,614

21. Rental and other income

	2021	2020
Rental income	640,822	640,466
Management fee	125,331	144,373
Other income	259,162	118,592
	1,025,315	903,431

22. Government grant

Since the onset of Covid 19 in March 2020, the government of Bahrain has implemented a package of measures to support businesses cope with the impact of the virus. During the year, the group received a total subsidy of BD 365 thousands (2020: 922 thousands) towards reimbursement of Bahraini staff cost and waiver of electricity and water other government fees.

23. Utilities and other expenses

	2021	2020
Utilities	1,033,678	873,694
Marketing	141,343	130,714
Maintenance	228,540	195,470
Professional fees	35,258	174,359
Directors' sitting fee	121,000	275,400
Registration fee	41,933	31,926
Insurance expense	58,146	76,039
Municipal taxes	48,320	39,660
Printing and stationary	21,466	22,183
Other expenses	691,768	491,168
	2,421,452	2,310,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars*

24. Proposed appropriations

The board is proposing dividend for the year ended 31 December 2021 of 15 fils per share amounting to BD 3,389,923. The proposed appropriation of the 2021 profit is subject to approval by the shareholders at the Annual General Meeting. In the annual general meeting on 28 March 2021, the shareholders approved a dividend of BD 2,259,949 for the year 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company. Transactions between related parties 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 2021					31 December 2020				
	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	347,057	129,893	125,331	389,892	-	110,988	107,106	144,373	727,049	-
Associates (note 7)	310,861	82,753	-	-	968,812	75,909	40,531	-	-	653,573
Directors and related affiliates	39,205	45,009	-	-	-	639	37,471	-	-	-
	697,123	257,655	125,331	389,892	968,812	187,536	185,108	144,373	727,049	653,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021**

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25 Related Party Transactions (continued)

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

	31 December 2021				31 December 2020			
	Trade receivables	Other receivables	Trade payables	Bank loan	Trade receivables	Other receivables	Trade payables	Bank loan
Major shareholders and their affiliates	57,030	2,917	37,186	5,382,000	148,394	5,989	49,942	11,840,000
Associates	26,666	690,658	35,209	-	6,481	40,000	-	-
Directors and related affiliates	52,931	-	2,852	-	7,389	-	639	-
	136,627	693,575	75,247	5,382,000	162,264	45,989	50,581	11,840,000

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:

	2021	2020
Salaries and short-term employee benefits	296,747	242,517
Post-employment benefits	16,800	11,588
Directors attendance fees and remuneration	142,000	275,400
	455,547	529,505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***26. 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 2021***Bahraini Dinars***26 Financial risk management (continued)***a) Credit risk (continued)**Exposure to credit risk*

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

	2021	2020
Trade receivables	944,770	653,210
Other assets	1,708,139	3,142,198
Bank balances	5,911,386	4,190,548
	8,564,295	7,985,956

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

	2021	2020
Bahrain	7,415,968	5,622,325
UAE	1,036,846	2,310,579
Others	111,481	53,052
	8,564,295	7,985,956

The ageing of receivables at the reporting date was:

	2021		2020	
	Gross	Impairment	Gross	Impairment
Neither past due nor impaired	321,826	(44,640)	285,791	(37,382)
Past due 0-90 days	613,573	(109,671)	280,093	(117,963)
Past due 91-180 days	115,158	(69,242)	85,598	(42,561)
More than 180 days	630,778	(513,012)	909,195	(709,561)
	1,681,335	(736,565)	1,560,677	(907,467)

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 53,820 (2020: BD 93,969) loss and BD 53,820 (2020: BD 154,824) gain on the profit and equity of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***26 Financial risk management (continued)***b) Market risk (continued)**(ii) Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has exposure to currency risk on its purchases invoiced in foreign currency, on credit card sales in foreign currency and on certain investment in foreign currency. Predominantly, the purchase of products is from local suppliers. Investments in foreign currency are mainly in Saudi Riyals or UAE Dirhams, which are effectively pegged against the US dollar. The majority of the foreign currency purchases are in US dollars. The US dollar is pegged against the Bahraini dinar and therefore the Company is not exposed to any significant currency risk.

(iii) Equity price risk

The Group equity investments are listed on regional exchanges.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant.

	2021			2020		
	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%	1,055,219	-	+10%	1,035,114	-

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 Covid-19 measures imposed by Governments of countries in which the Group operates to contain the pandemic placed severe stress on the Group's liquidity as revenue generating activities were restricted from early March 2020 to 31 December 2021. The Group has taken and continue to take actions to mitigate the impact, including reducing capital expenditure and operating expenses. The Group believes that the effects of Covid-19 pandemic on its operations will continue to have a negative impact on its financial results and liquidity.

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

As at 31 December 2021, The Group has BD 16,510 thousand of resources comprising cash and cash equivalents of BD 5,958 thousand and, other highly liquid assets (listed shares) of BD 10,552 thousand which will be sufficient to meet its obligations when they fall due over the next 12 months and more.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars**26 Financial risk management (continued)**c) Liquidity risk (continued)*

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

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	-

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars***27. Fair value and classification of financial instruments****Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Fair value Hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. ask prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data; and
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

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

Financial assets measured at fair value

The following table sets out the fair values of financial instruments measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2021

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

31 December 2020

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

There were no transfers between Level 1 and Level 3 of the fair value hierarchy during the year ended 31 December 2021. 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:

	2021	2020
Balance at 1 January	2,812,996	2,525,330
Total gains or losses:		
- in other comprehensive income	(74,266)	287,666
- impairment	(50,221)	-
Balance at 31 December	2,688,509	2,812,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended 31 December 2021***Bahraini Dinars**27 Fair value and classification of financial instruments (continued)**Financial assets and liabilities not measured at fair value*

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

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

Classification of financial instruments

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

28. Comparatives

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

29. Segmental Information

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

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

Food and beverage: sale of food and beverages and convention operations

Investments and other activities: Investment activities of the Group

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

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

Segment assets include all operating assets used by a segment and consist primarily of property and equipment, inventories and accounts receivable. Whilst the majority of the assets can be directly attributed to individual business segments, the carrying amounts of certain assets used jointly by two or more segments are allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of trade and other payables. The Group operates substantially in the Kingdom of Bahrain.

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For the year ended 31 December 2021

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29 Segmental Information (continued)

Year ended December	Hotel room operations		Food and beverage		Investment and other activities		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	7,942,654	5,602,005	14,975,439	14,133,625	-	-	22,918,093	19,735,630
Operating costs	(3,165,562)	(2,894,446)	(9,284,370)	(9,411,168)	-	-	(12,449,932)	(12,305,614)
Gross profit	4,777,092	2,707,559	5,691,069	4,722,457	-	-	10,468,161	7,430,016
Investment income	-	-	-	-	1,440,226	1,255,720	1,440,226	1,255,720
Interest income	-	-	-	-	9,544	65,999	9,544	65,999
Rental and other income	372,424	250,032	29,064	8,841	623,827	644,558	1,025,315	903,431
Depreciation of property and equipment	(4,064,927)	(4,756,934)	(2,170,321)	(2,534,112)	(24,484)	(32,465)	(6,259,732)	(7,323,511)
Government grant	340,998	807,288	4,937	21,703	19,210	93,887	365,145	922,878
Interest expense	-	-	-	-	(389,892)	(727,049)	(389,892)	(727,049)
Administrative staff costs	(1,447,082)	(1,628,710)	(320,095)	(269,585)	(768,654)	(772,986)	(2,535,831)	(2,671,281)
Pre-operating project expenses	-	-	-	-	-	-	-	-
Impairment allowance on trade receivables	(17,325)	(377,336)	-	(164,244)	(19,810)	(67,315)	(37,135)	(608,895)
(Impairment)/reversal on property and equipment	-	(2,426,111)	-	-	1,731,989	(2,638,569)	1,731,989	(5,064,680)
Utilities and other expenses	(2,040,870)	(1,752,084)	-	-	(380,582)	(558,529)	(2,421,452)	(2,310,613)
Segment profit / (loss) for the year	(2,079,691)	(7,176,296)	3,234,655	1,785,060	2,241,374	(2,736,749)	3,396,338	(8,127,985)
Total Assets	50,417,924	54,718,013	29,643,446	33,757,833	33,385,124	28,304,387	113,446,494	118,780,233
Total Liabilities	2,993,846	3,044,710	2,359,374	2,351,014	6,263,935	12,762,961	11,617,155	18,158,685
Capital Expenditures	56,226	552,749	46,422	53,089	1,255	4,233	103,903	610,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

Bahraini Dinars

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

	Liabilities		Equity			Total
	Trade and other payables	Bank Term loans	Share capital	Reserves	Retained earnings	
Balance at 1 January 2021	5,144,803	11,840,000	40,113,929	24,239,290	36,268,329	117,606,351
Repayment of loans and borrowings	-	(6,458,000)	-	-	-	(6,458,000)
Dividend paid	(2,338,889)	-	-	-	-	(2,338,889)
Donations paid	-	-	-	(51,310)	-	(51,310)
Interest paid	292,860	-	-	-	-	292,860
Total changes from financing cash flows	(2,046,029)	(6,458,000)	-	(51,310)	-	(8,555,339)
Changes in fair value	-	-	-	122,712	-	122,712
Other changes	-	-	-	-	3,396,338	3,396,338
Liability-related	(637,531)	-	-	-	-	(637,531)
Dividends declared	2,259,949	-	-	-	(2,259,949)	-
Interest expense	389,892	-	-	-	-	389,892
Total liability-related other changes	2,012,310	-	-	-	-	2,012,310
Total equity-related other changes	-	-	-	122,712	1,136,389	1,259,099
Balance at 31 December 2021	5,111,084	5,382,000	40,113,929	24,310,692	37,404,718	112,322,421

Un-audited Supplementary Information
Impact of COVID-19