National Hotels Company B.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2020

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BOARD OF DIRECTORS' REPORT 2020

Dear Shareholders,

It is a great honour and privilege for me to address all of you on behalf of the Board of Directors and present to you the Annual Report of your Company for the year ended 31st December 2020.

COVID-19 Pandemic

This financial year has been a difficult one for the Board and the Management team alike, both exhausting all efforts to sustain the Company's operations and ensure its financial stability amidst the outbreak of the COVID-19 pandemic. Accordingly, the Company has activated its business continuity plan and risk management practices to combat the evident business disruption on its operations and financial performance.

The World Health Organization (WHO) has declared the outbreak of COVID-19 a pandemic on 11th March 2020. As a result, authorities around the globe have taken various measures to contain the spread of this pandemic, with the primary focus concentrated on the safety of the general public. Such measures involved implementing travel restrictions, quarantine measures, and the mandatory closure of public facilities among many others.

The global disruption resulting from this pandemic was unprecedented and has resulted in an economic slowdown overcasting uncertainties on the economic environment. The hospitality sector was one of the main sectors affected by this pandemic, sending it into a tailspin and forcing hotels to navigate more uncertain waters than ever before.

With the announcement of the various economic stimulus programmes offered by the Government, we were able to sustain operations despite the widespread decline in Occupancy and continued downward pressure on Average Room Rate, combined with several event cancellations. We extend out thanks and gratitude to the wise leadership and Government for their actions taken and the various economic stimulus programmes offered to support the sector and the Kingdom's economy.

Financial Performance

Through tough cost control measures and vigilant monitoring of the market, coupled with the Government subsidies received, we have managed to achieve a Gross Operating Profit of BD 1,133K (2019: BD 2,523K). Operating Revenues declined by 45%, reaching BD 3,911K (2019: BD 7,058K). Occupancy averaged 29% for the year (2019: 47%) whilst ARR averaged BD 56 (2019: BD 60).

In accordance with IAS 36, an assessment of the potential impairment (i.e. difference between asset carrying amount and its recoverable value) of the Company's assets was performed at the end of financial year using the discounted cash flows of future business projections. In light of the adverse effect that the COVID-19 pandemic has had on the Company's business, indicators of impairment existed at year end; Impairment of Property, Plant and Equipment (BD 819K) and Impairment of Investment Property (BD 4,455K).

In light of the above, it is unfortunate that we have to announce an unprecedented Net Loss of BD 5,513K, mainly as a result of recording non-operating expenses such as Depreciation (BD 2,552K) and asset impairment (BD 4,927K).

Nevertheless, we remain cash positive and debt-free (apart from the usual ongoing operational expenses), and enter the financial year 2021 with a robust financial position; strong balance sheet, cash generative business model and access to liquidity.

Corporate Governance

I am also pleased to inform you that the Company complies with the Corporate Governance Code issued by the Ministry of Industry, Commerce and Tourism. As customary, the Annual Report for the year includes the Board's Corporate Governance Report for your reference.

Achievements and Strategic Outlook

Going forward, we will focus on further enhancing our services and business offerings. We also intend to further improve our service and facilities within the Hotel and Residence and Commercial Office Tower. We continue to seek opportunities of growth and further revenue generation within the Kingdom and beyond.

Recommendations to the Shareholders

The Board of Directors, having discussed the audited Financial Statements for the year 2020, submits the following recommendations for endorsement by the Ordinary General Assembly with regards to the year 2020:

1) to declare and distribute a cash dividend of 8% of nominal share value or 8 fils per share, resulting in a total dividend distribution of BD 960,738.
2) to approve BD 55,000/- for the support of National Institutions and Charity Accounts already charged as an expense in the Income Statement.
3) to transfer the balance of the Loss of BD 5,512,664/- to the Retained Earnings Account.

Note of Thanks

Finally, I would like to express personally and on behalf of the Board of Directors and the Shareholders, my thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness The Crown Prince and Prime Minister, Prince Salman bin Hamad Al Khalifa, for their relentless support and assistance to the Company.

I would also like to thank all the officials at the Government Ministries and Organizations, and our esteemed guests and customers for their continuous support. I also express my sincere gratitude to all the members of our Board for their continued insights and invaluable guidance that helped steer the operations during these difficult times. A special tribute is awarded to all the Company's employees, led by the Company's Chief Executive Officer, and the Executive Managers and staff members of the Diplomat Radisson Blu Hotel, Residence & Spa, and the Diplomat Commercial Offices for their sincere efforts in serving the Company, which contributed to achieving the results of 2020.

With the Grace of God,

Faisal Ahmed Al Zayani
Chairman

Manama
18.02.2021

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

National Hotels Company BSC
Diplomatic Area - Kingdom of Bahrain

Report on the audit of the financial statements

Opinion
We have audited the accompanying financial statements of National Hotels Company BSC (the "Company"), which comprise the statement of financial position as at 31 December 2020, the 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its 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 financial statements section of our report. We are independent of the Company 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 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.

Emphasis of matter - impact of COVID-19
We draw attention to note 24 to the financial statements which describes the effect of the COVID-19 pandemic on the Company's operations, its results and related uncertainties. Our opinion is not modified in respect of this matter.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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, plant and equipment and investment property

(refer to use of judgement and estimates in note 2(d), accounting policies in notes 3(a) and 3(b) and notes 4 and 5 to the financial statements)

Description	***How the matter was addressed in our audit***
We focused on this area because: ▪ of the significance of property, plant and equipment and investment property (representing 80% of total assets); and ▪ Assessment of indicators of impairment and estimation of recoverable amount by the Company involves judgement and estimation uncertainty, especially in the current operating environment arising from COVID-19.	Our audit procedures included: ▪ Involvement of our own valuation specialists in: - evaluating the Company's process of identifying possible indicators of impairment of the property and equipment; - evaluating the parameters used by the Company to identify indicators of impairment to ensure that these are reasonable; - evaluating the appropriateness of the impairment assessment methodology used by the Company; and - challenging the reasonableness of key assumptions and input used in estimating the recoverable amount of the property; ▪ evaluating the adequacy of the Company's disclosures related to impairment of property and equipment in the financial statements by reference to the requirements of the relevant accounting standards.

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Other Matter
The financial statements of the Company as at and for the year ended 31 December 2019, were audited by another auditor whose report thereon dated 13 February 2020 expressed an unmodified opinion

Other information
The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' 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 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
National Hotels Company BSC

- 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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 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 financial statements are in agreement therewith;
   b) the financial information contained in the board of directors' report is consistent with the 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) 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 Jaafar Al Qubaiti.

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KPMG Fakhro
Partner registration number 83
18 February 2021

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

Bahraini Dinars

	Note	**31 December 2020**	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	30,101,545	34,135,204
Investment property	5	33,185,572	36,798,965
Investment in an associate	6	6,804,606	7,995,852
Investments at fair value through other comprehensive income	7	2,658,980	2,741,251
Investments at fair value through profit or loss	7	-	2,000,000
Total non-current assets		**72,750,703**	83,671,272
Current assets			
Inventories	8	73,945	106,798
Investments at fair value through profit or loss	7	2,064,063	61,515
Trade receivables and other assets	9	399,073	465,104
Bank deposits	10	2,500,000	1,000,000
Cash and cash equivalents	10	1,435,960	2,029,491
Total current assets		**6,473,041**	3,662,908
Total assets		**79,223,744**	87,334,180
LIABILITIES AND EQUITY			
Non-current liabilities			
Employees' end of service benefits	13	226,599	303,129
Total non-current liabilities		**226,599**	303,129
Current liabilities			
Trade and other payables	14	1,032,708	1,871,877
Total current liabilities		**1,032,708**	1,871,877
Total liabilities		**1,259,307**	2,175,006
EQUITY			
Share capital	11	12,127,500	12,127,500
Treasury shares	11	(94,726)	(94,726)
Statutory reserve	12	5,670,492	5,670,492
General reserve	12	1,087,579	1,087,579
Property revaluation reserve	12	13,043,666	13,391,305
Investments fair value reserve		2,026,403	2,108,674
Share of reserves of associate		130,059	181,300
Retained earnings		43,973,464	50,687,050
Total equity		**77,964,437**	85,159,174
Total liabilities and equity		**79,223,744**	87,334,180

Faisal Ahmed Al Zayani
Chairman

Abdulaziz Abdulla Alisa
Director

The accompanying notes 1 to 25 form an integral part of these financial statements.

NATIONAL HOTELS COMPANY B.S.C.

STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2020

Bahraini Dinars

	Note	**31 December 2020**	31 December 2019
Revenue from contracts with customers	15	2,790,644	5,884,215
Rental income	5	1,120,704	1,173,673
Total revenue		**3,911,348**	7,057,888
Operating costs	16	(2,778,107)	(4,533,906)
GROSS OPERATING PROFIT		**1,133,241**	2,523,982
Share of profit from an associate	6	959,995	2,060,440
Dividend income		113,394	174,721
Interest income		219,973	132,929
Change in fair value on investments at fair value through profit or loss	7	2,548	12,045
Other income	17	95,879	40,985
Depreciation	4,5	(2,551,754)	(2,790,889)
General and administration expenses		(430,633)	(574,297)
Loss on write-off of property, plant and equipment	4	(128,054)	-
Impairment of property, plant and equipment and investment property	4,5	(4,927,253)	-
(Loss) / profit for the year		**(5,512,664)**	1,579,916
Basic and diluted earnings per share (in fils)	11	**(46)**	13

فيصل الزياني

Faisal Ahmed Al Zayani
Chairman

Abdulaziz Abdulla Alisa
Director

The accompanying notes 1 to 25 form an integral part of these financial statements.

NATIONAL HOTELS COMPANY B.S.C.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020 Bahraini Dinars

	Note	**31 December 2020**	31 December 2019
(Loss) / profit for the year		(5,512,664)	1,579,916
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
- Net movement in fair value of Investments at fair value through our comprehensive income during the period	7	(82,271)	47,816
- Share in associates' other comprehensive income	6	(51,241)	79,014
- impairment of property, plant and equipment		(347,639)	-
Other comprehensive income for the year		**(481,151)**	126,830
Total comprehensive income for the year		**(5,993,815)**	1,706,746

The accompanying notes 1 to 25 form an integral part of these financial statements.

NATIONAL HOTELS COMPANY B.S.C.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

Bahraini Dinars

31 December 2020	**Share capital**	**Treasury shares**	**Statutory reserve**	**General reserve**	**Property revaluation reserve**	**Investments fair value reserve**	**Share of reserves of associate**	**Retained earnings**	**Total**
At 1 January 2020	12,127,500	(94,726)	5,670,492	1,087,579	13,391,305	2,108,674	181,300	50,687,050	85,159,174
- Loss for the year	-	-	-	-	-	-	-	(5,512,664)	(5,512,664)
- Other comprehensive income for the year	-	-	-	-	(347,639)	(82,271)	(51,241)	-	(481,151)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(347,639)**	**(82,271)**	**(51,241)**	**(5,512,664)**	**(5,993,815)**
Dividends declared for 2019	-	-	-	-	-	-	-	(1,200,922)	(1,200,922)
Balance at 31 December 2020	**12,127,500**	**(94,726)**	**5,670,492**	**1,087,579**	**13,043,666**	**2,026,403**	**130,059**	**43,973,464**	**77,964,437**

31 December 2019	Share capital	Treasury shares	Statutory reserve	General reserve	Property revaluation reserve	Investments fair value reserve	Share of reserves of associate	Retained earnings	Total
Balance at 1 January 2019	11,025,000	(94,726)	5,512,500	1,087,579	13,391,305	2,060,858	102,286	50,369,301	83,454,103
Effect of adopting IFRS 16 by an Associate	-	-	-	-	-	-	-	(1,675)	(1,675)
At 1 January 2019(restated):	11,025,000	(94,726)	5,512,500	1,087,579	13,391,305	2,060,858	102,286	50,367,626	83,452,428
- Profit for the year	-	-	-	-	-	-	-	1,579,916	1,579,916
- Other comprehensive income for the year	-	-	-	-	-	47,816	79,014	-	126,830
Total comprehensive income for the year	-	-	-	-	-	47,816	79,014	1,579,916	1,706,746
Transfer to statutory reserve	-	-	157,992	-	-	-	-	(157,992)	-
Issue of bonus shares	1,102,500	-	-	-	-	-	-	(1,102,500)	-
Balance at 31 December 2019	12,127,500	(94,726)	5,670,492	1,087,579	13,391,305	2,108,674	181,300	50,687,050	85,159,174

The accompanying notes 1 to 25 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020 Bahraini Dinars

	Note	**31 December 2020**	31 December 2019
OPERATING ACTIVITIES			
(Loss) / profit for the year		(5,512,664)	1,579,916
Adjustments for:			
Depreciation	4,5	2,551,754	2,790,889
Loss / (profit) on write-off, disposals of property, plant and equipment		128,054	(431)
Impairment of property, plant and equipment		471,822	-
Impairment of investment property		4,455,431	-
Share of profit from an associate	6	(959,995)	(2,060,440)
Change in fair value on investments at FVTPL	7	(2,548)	(12,045)
Dividend income		(113,394)	(174,721)
Interest income		(219,973)	(132,929)
Interest expense		234	3,711
(Reversal) / charge of impairment on financial assets	9	(36,783)	27,666
Provision for employees' benefits	13	51,998	52,739
Operating profit before working capital changes		813,936	2,074,355
Change in inventories		32,853	(29,804)
Change in trade and other receivables		66,031	(105,872)
Change in trade and other payables		(839,169)	208,197
Net cash flows from operations		**73,651**	2,146,876
Employees' end of service benefits paid	13	(128,528)	(81,392)
Directors' remuneration paid	18	(156,125)	(119,500)
Charitable contributions paid		(55,000)	(44,000)
Net cash flows (used in) / from operating activities		**(266,002)**	1,901,984
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(429,200)	(704,492)
Dividends received from an associate	6	2,100,000	1,900,000
Other dividends received		113,394	174,721
Interest received		182,499	205,869
Government bond proceeds		-	2,000,000
Investment in mudaraba	7	-	(2,000,000)
Bank deposits		(1,000,000)	(1,000,000)
Net cash flows from investing activities		**966,693**	576,098
FINANCING ACTIVITIES			
Dividends paid	19	(1,200,922)	-
Finance cost paid		(234)	(3,711)
Net cash flows used in financing activities		**(1,201,156)**	(3,711)
Net (decrease) / increase in cash and cash equivalents		**(500,465)**	2,474,371
Cash and cash equivalents at 1 January		1,933,003	(541,368)
Cash and cash equivalents at 31 December	10	**1,432,538**	1,933,003

The accompanying notes 1 to 25 form an integral part of these financial statements.

1. REPORTING ENTITY

National Hotels Company B.S.C. (the "Company") is a public joint stock company incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 1665. The address of the registered office of the Company is P.O. Box 5243, Building 59, Road 1701, Block 317, Diplomatic Area, Kingdom of Bahrain. The Company owns the Diplomat Radisson BLU Hotel (the "Hotel"), which is managed by Rezidor Hotel Company ("Rezidor") under a management agreement dated 20 July 2000 which was initially valid for 15 years. In 2007, the Company commenced the operations of its serviced apartments, which are also managed by Rezidor under a management agreement dated 6 May 2003 which was initially valid for 12 years. In 2012, the Company commenced the operations of its office towers, which are managed by the Company directly. In 2015, the management agreement of the Hotel and serviced apartments was amended to extend the management period up to 31 December 2030. The Company operates solely in the Kingdom of Bahrain. The financial statements were approved by the Director on 18 February 2021.

Associate
The Company has a 33.33% interest in African & Eastern (Bahrain) W.L.L. (2019: 33.33%).

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and requirements of the Commercial Companies Law.

Going concern basis of accounting
The board of directors continues is confident that the Company has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate (refer to note 20 and note 24).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the freehold land, investments at fair value through profit or loss and investments at fair value through other comprehensive income that have been measured at fair value.

c) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Bahraini Dinars (“BD”), which is the Company’s functional and presentation currency.

d) Use of judgments and estimates

The preparation of these 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 Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. 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.

2. BASIS OF PREPARATION (continued)

Impairment of trade and other receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss (“ECL”). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Company’s historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Fair value measurement of financial instruments
When the fair values of financial instrument recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discount model and adjusted net book asset value method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, expected dividends and discount factor. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Revaluation of freehold land
The Company measures its freehold land at revalued amounts with changes in fair values being recognised in equity. Revaluation of freehold land is normally carried out at least once in every three years. The assessment of the fair value of the freehold land requires assumptions such as level of development in the area, current market trends, supply and demand of the property, as well as location, population and type of neighborhood in the area.

Useful lives of property, plant and equipment
The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment and investment property
The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The management has engaged external valuers to determine the fair values of its properties. The 31 December 2020 valuation contains a ‘material valuation uncertainty’ clause due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion. As a result of this increased uncertainty, the assumptions may be revised significantly in 2021. A sensitivity analysis on these assumptions is included in notes 4 and 5in 2021. A sensitivity analysis on these assumptions is included in notes 4 and 5.

2. BASIS OF PREPARATION (continued)

Going concern
Whether there are material uncertainties that may casts significant doubt on the entity's ability to continue as a going concern. (refer Note 2(a)).

e) New standards, amendments and interpretation effective from 1 January 2019

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

f) New standards, amendments and interpretations issued but not yet adopted

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 Company does not expect a significant impact on its financial statements from adopting this amendment.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Property, plant and equipment

(i) Recognition and measurement
Property, plant and equipment, except freehold land, is recorded at cost less accumulated depreciation and any accumulated impairment in value. Freehold land is carried at revalued amounts. Freehold land is not depreciated.

Revaluation of freehold land is normally carried out at least once every three years. Any net surplus arising on revaluation is credited to a revaluation reserve and any decrease resulting from subsequent revaluations is charged directly against any related revaluation surplus held in respect of that same asset and the remaining portion charged as an expense. On the subsequent sale or retirement of revalued freehold land, the additional revaluation surplus is transferred to retained earnings.

(ii) Depreciation
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	40 years
- Improvements to buildings	15 years
- Plant and machinery	15 to 20 years
- Furniture, fixtures and equipment	7 years
- Motor vehicles	5 years

(iii) Subsequent costs
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

An item of property, plant and equipment 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 amounts of the assets) is included in the statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

b) Investment properties

(i) Recognition and measurement
Investment properties, except freehold land, are recorded at cost less accumulated depreciation and any accumulated impairment in value. Freehold land is not depreciated.

(ii) Depreciation
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	40 years
- Plant and machinery	15 to 20 years
- Furniture, fixtures and equipment	7 years

(iii) Subsequent costs
The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met, and excludes the day to day servicing of investment properties.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the retirement or disposal of investment properties are recognised in the statement of profit or loss in the year of retirement or disposal.

c) Investment in an associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Any change in other comprehensive income of this investee is presented as part of the Company’s other comprehensive income. Where there has been a change recognised directly in equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company’s share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss for the year and non-controlling interests in the subsidiaries of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in statement of profit or loss.

d) Inventories

Inventories of food and beverage are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing inventories to their present location and condition and are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets
Initial recognition and measurement
Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

For the purposes of the assessment whether contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVOCI are carried in the statement of financial position at fair value with net changes in fair value recognised in the changes in other comprehensive income. Such changes in fair value are never recycled to profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expire; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(ii) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, at amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of those at amortised cost, net of directly attributable transaction costs.

Classification and Subsequent measurement
The Company classifies it financial liabilities as measured at amortised cost. Subsequent to initial recognition, these are measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Impairment of financial assets
The Company recognises loss allowances for expected credit loss on financial assets measured at amortised cost.

The Company 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.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 to120 days past due. The Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 Company is exposed to credit risk.

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

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

The Company recognises an allowance for expected credit loss (ECL) on all financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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 Company 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.

f) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The 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 group 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and bank deposits with original maturity of 3 months or less, net of restricted cash.

h) 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- 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 Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

j) Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered in the ordinary course of the Company's activities. The Company recognises revenue when it transfers control over a good or service to a customer, and when specific criteria have been met for each of the Company's activities, as described below:

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

b) Room revenue
Room revenue from hotel operations represents total amounts charged to customers and guests during the period including service charges plus unbilled guests ledger at the end of the reporting period. Revenue from hotel operations is stated net of rebates and other allowances. These services are sold either separately or bundled together with the sale of food and beverages to a customer.

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

d) 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Foreign currencies transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency differences are generally recognised in profit or loss.

l) 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 Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the board of directors 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 include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

m) Employees' end of service 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.

n) Treasury shares

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

o) Governmental levy

The Company 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Improvements to buildings	Furniture, fixtures and equipment	Plant and machinery	Capital work-in- progress	Total
Cost / valuation							
At 1 January 2020	13,779,508	29,791,341	7,157,642	4,220,633	8,595,875	17,798	63,562,797
Additions	-	-	66,802	7,324	119,725	113,796	307,647
Reclassification	-	(109,080)	109,080	164,748	(164,748)	-	-
Transfers (note 5)	-	-	(97,080)	(18,330)	(3,516,824)	-	(3,632,234)
Impairment	(347,639)	(278,550)	(125,560)	(58,517)	(9,195)	-	(819,461)
Disposals and write-offs	-	-	(777,749)	(522,902)	(2,527,678)	-	(3,828,329)
At 31 December 2020	**13,431,869**	**29,403,711**	**6,333,135**	**3,792,956**	**2,497,155**	**131,594**	**55,590,420**
Accumulated depreciation							
At 1 January 2020	-	18,966,217	2,246,550	2,111,399	6,103,427	-	29,427,593
Reclassification	-	(38,619)	38,619	95,318	(95,318)	-	-
Transfers (note 5)	-	-	(58,179)	(6,521)	(1,960,340)	-	(2,025,040)
Charge for the year	-	758,193	429,049	417,360	181,996	-	1,786,598
Disposals and write-offs	-	-	(777,749)	(513,377)	(2,409,150)	-	(3,700,276)
At 31 December 2020	**-**	**19,685,791**	**1,878,290**	**2,104,179**	**1,820,615**	**-**	**25,488,875**
Net carrying amounts:							
At 31 December 2020	**13,431,869**	**9,717,920**	**4,454,845**	**1,688,777**	**676,540**	**131,594**	**30,101,545**

The COVID-19 pandemic has adversely affected the travel and hospitality industries in Bahrain. Given the impact on the business, the Company has determined that indicators of impairment existed at 31 December 2020 and accordingly conducted impairment tests to assess recoverability of its property, plant and equipment using discounted cash flows that reflect the Company's current best estimate, at the reporting date, of the expected impacts of the health crisis and the economic conditions for recovery. The Company prepared a 5-year cash flow forecast. The discount rate used corresponds to the weighted average cost of capital and terminal growth rate as at 31 December 2020 were 8.5% and 2.5% respectively. Accordingly, it recognised impairment losses of BD 819,461. An increase in the weighted average cost of capital by 0.5% and reduction in the terminal growth would have impacted the valuation by BD 2,094,521 and BD 2,623,313 respectively.

The Company has reviewed the allocation and usage of its property, plant and equipment and has determined that certain items of its property, plant and equipment with a net book value of BD 1,607,194 are part of its office towers segment and accordingly transferred these to investment property (refer to note 5).

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Improvements to buildings	Furniture, fixtures and equipment	Plant and machinery	Capital work-in-progress	Total
Cost / valuation:							
At 1 January 2019	13,779,508	29,791,341	6,758,048	4,213,538	8,491,046	147,362	63,180,843
Additions	-	-	257,982	7,095	173,019	12,048	450,144
Transfer of capital work-in-progress	-	-	141,612	-	-	(141,612)	-
Disposals	-	-	-	-	(68,190)	-	(68,190)
At 31 December 2019	13,779,508	29,791,341	7,157,642	4,220,633	8,595,875	17,798	63,562,797
Accumulated depreciation:							
At 1 January 2019	-	18,221,085	1,583,241	1,781,007	5,694,733	-	27,280,066
Depreciation charge for the year	-	745,132	663,309	330,392	470,065	-	2,208,898
Relating to disposals	-	-	-	-	(61,371)	-	(61,371)
At 31 December 2019	-	18,966,217	2,246,550	2,111,399	6,103,427	-	29,427,593
Net carrying amounts:							
At 31 December 2019	13,779,508	10,825,124	4,911,092	2,109,234	2,492,448	17,798	34,135,204

5. INVESTMENT PROPERTY

	Freehold land	Building	Improvements to buildings	Furniture, fixtures and equipment	Plant and machinery	Total
Cost						
At 1 January 2020	17,994,710	23,279,628	-	-	-	41,274,338
Transfers (note 4)	-	-	97,080	18,330	3,516,824	3,632,234
Impairment	(2,129,969)	(2,156,775)	(2,581)	(1,212)	(164,894)	(4,455,431)
At 31 December 2020	**15,864,741**	**21,122,853**	**94,499**	**17,118**	**3,351,930**	**40,451,141**
Accumulated depreciation						
At 1 January 2020	-	4,475,373	-	-	-	4,475,373
Transfers (note 4)	-	-	58,179	6,521	1,960,340	2,025,040
Charge for the year	-	583,078	17,097	2,685	162,296	765,156
At 31 December 2020	**-**	**5,058,451**	**75,276**	**9,206**	**2,122,636**	**7,265,569**
Net carrying amounts:						
At 31 December 2020	**15,864,741**	**16,064,402**	**19,223**	**7,912**	**1,229,294**	**33,185,572**

	Freehold land	Building	Total
Cost as at 31 December 2019	17,994,710	23,279,628	41,274,338
Accumulated depreciation:			
At 1 January 2019	-	3,893,382	3,893,382
Charge for the year	-	581,991	581,991
At 31 December 2019	-	4,475,373	4,475,373
Net carrying amounts:			
At 31 December 2019	17,994,710	18,804,255	36,798,965

5. INVESTMENT PROPERTY (continued)

The investment property was valued by an independent valuer and total fair value amounted to BD 33,163,768 as of 31 December 2020 (2019: BD 40,322,106). Rental income derived from investment property amounted to BD 1,120,704 (2019: BD 1,173,673). The fair value measurement was based on investment capitalisation approach and accordingly has been categorised as level 3 in the fair value hierarchy. Significant assumptions used are the capitalisation rate of 7% and full occupancy of the property. Accordingly, the Company have recorded a loss for impairment of investment property for the year amounting to BD 4,455,431. The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

A sensitivity analysis was conducted to assess the impact of recoverable amount as compared to the carrying value of the asset. The capitalisation rate of income and the assessment of income under the highest and best use of the property were the two variable factors considered in the analysis to have the most significant affect in the overall determnation of the recoverable amount. An increase in the capitalisation rate by 0.5% and a reduction in income by 5% would have impacted the valuation by BD 3,758,560 and BD 1,658,188 respectively.

6. INVESTMENT IN AN ASSOCIATE

The Company has a 33.33% (2019: 33.33%) interest in African & Eastern (Bahrain) W.L.L., which is incorporated in the Kingdom of Bahrain and is involved in the business of investment in bonds and shares as well as importing and selling consumer products. African & Eastern (Bahrain) W.L.L. is a private entity that is not listed on any public exchange. The Company's interest in African & Eastern (Bahrain) W.L.L. is accounted for using the equity method in the financial statements. Movements during the year are as follows:

	2020	2019
At 1 January	7,995,852	7,758,073
Effect of adoption of IFRS 16	-	(1,675)
Balance at 1 January (restated)	7,995,852	7,756,398
Share of profit during the year	959,995	2,060,440
Share in associate's other comprehensive income	(53,241)	79,014
Adjustment to the associate’s reserve	2,000	-
Dividends received during the year	(2,100,000)	(1,900,000)
At 31 December	**6,804,606**	7,995,852

The following table illustrates the summarised financial information of the Company's investment in African & Eastern (Bahrain) W.L.L.:

	2020	2019
Current assets	5,696,767	9,486,084
Non-current assets	15,667,281	16,059,737
Current liabilities	(1,308,852)	(1,915,153)
Non-current liabilities	(397,358)	(399,090)
Equity	19,657,838	23,231,578
Proportion of the Company's ownership	33.33%	33.33%
Share of the associate's net assets	6,552,613	7,743,859
Goodwill included within investment in the associate	251,993	251,993
Carrying amount of interest in associate	**6,804,606**	7,995,852

6. INVESTMENT IN AN ASSOCIATE (continued)

	2020	2019
Profit for the year	2,879,985	6,181,320
Other comprehensive income for the year	(159,725)	237,042
Total comprehensive income for the year	**2,720,260**	6,418,362
Company's share of total comprehensive income for the year	**906,663**	2,139,454

As at reporting date, the associate had contingent liabilities arising in the ordinary course of business which includes outstanding letter of guarantee and tender cheques amounting to BD 7,137 (2019: BD 6,750).

7. INVESTMENTS

a) Equity Investments at FVOCI

	2020	2019
Quoted equity Investments	2,307,041	2,392,942
Unquoted equity Investments	351,939	348,309
	2,658,980	2,741,251

The movement in the equity investments at FVOCI is as follows:

	2020	2019
Balance at 1 January	2,741,251	2,693,435
Change in fair value during the year	(82,271)	47,816
	2,658,980	2,741,251

b) Equity Investments at FVTPL

	2020	2019
Unquoted equity investment (i)	2,000,000	2,000,000
Quoted equity investment	64,063	61,515
	2,064,063	2,061,515

(i) Unquoted equity investment of BD 2,000,000 (2019: BD 2,000,000), represents Restricted Investment Account (RIA) Mudaraba Certificates pertaining to underlying investment in International Commodity Murabaha Financing for Corporate (Real Estate) entities with Kuwait Finance House “KFH” – Bahrain portfolio. The RIA Mudaraba Certificates mature on 3 September 2021 and carries an interest rate of 6.5% per annum.

The movement in the fair value of the investment at FVTPL is as follow:

	2020	2019
Balance at 1 January	2,061,515	2,049,470
Change in fair value during the year	2,548	12,045
	2,064,063	2,061,515

8. INVENTORIES

	2020	2019
Food and beverages	43,276	71,504
General stores	30,669	35,294
	73,945	106,798

Inventories recognised as expenditure in gross operating costs during the year amounted to BD 178,054 (2019: BD 544,072).

9. TRADE RECEIVABLES AND OTHER ASSETS

	2020	2019
Trade receivables		
-third parties	212,117	329,839
-related parties (note 18)	432	2,006
Less: Provision for expected credit loss	(52,901)	(89,684)
	159,648	242,161
Accrued receivables	76,084	74,711
Prepaid expenses		
-third parties	132,079	103,070
-related parties (note 18)	2,307	17,997
Contract asset	-	17,630
Advances to suppliers and contractors	1,045	2,813
Other receivables	27,910	6,722
	399,073	465,104

Trade receivables are non-interest bearing. Receivables relating to current guests are due on departure. Receivables relating to other operations and corporate guests are generally due upon invoicing. Movement in the allowance for expected credit loss of receivables was as follows:

	2020	2019
At 1 January	89,684	62,018
(Reversal) / charge for the year	(36,783)	27,666
At 31 December	**52,901**	89,684

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables except post dated cheques for a small number of receivable balances.

10. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand	6,811	7,807
Cash at banks	1,429,149	2,021,684
Cash and cash equivalents as per the statement of financial position	**1,435,960**	2,029,491
Less: Restricted cash	(3,422)	(96,488)
Cash and cash equivalents as per the statement of cash flows	**1,432,538**	1,933,003

Bank deposits of BD 2,500,000 (2019: BD 1,000,000) have an original maturity date of more than three months. The average interest rate on carried by these deposits for the year was 2.76% (2019: 3.8%). Restricted cash represents collected dividends by the shareholders yet to be cleared.

The Company has an overdraft facility of BD 0.5 million to finance working capital requirements granted by financial institutions in the Kingdom of Bahrain. The facility bear interest of 4.5% per annum above one month Bahrain Interbank Offered Rate charged monthly.

11. SHARE CAPITAL

	2020	2019
Authorised:		
150,000,000 (2019: 150,000,000) ordinary shares of BD 0.100 each	**15,000,000**	15,000,000
Issued and fully paid:		
121,275,000 (2019: 121,275,000) shares of BD 0.100 each	**12,127,500**	12,127,500

Earnings per share
Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares, as follows:

	2020	2019
(Loss) / profit for the year	**(5,512,664)**	1,579,916
Weighted average number of equity shares	**120,092,219**	120,092,219
Basic earnings per share in fils	**(46)**	13

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

Additional information on shareholding pattern
(i) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of issued and fully paid shares.

	Nationality	**No. of shares**	**% holding**
Kuwait Investment Authority	Kuwait	39,827,884	32.84
Social Insurance Organization (Pension) – Civil & Military	Bahrain	38,989,471	32.15
Kuwait Investment Company	Kuwait	25,399,330	20.94

11. SHARE CAPITAL (continued)

(ii) The Company has only one class of equity shares and the holders of these shares have equal voting rights.

(iii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	**Number of Shares**	**Number of shareholders**	**% of total issued shares**
Less than 1%	11,253,404	3,952	9.28
1% to less than 5%	5,804,911	3	4.79
5% to less than 10%	-	-	-
10% to less than 50%	104,216,685	3	85.93
50% and above	-	-	-
	121,275,000	**3,958**	**100.00**

** Expressed as a percentage of total issued and fully paid shares of the Company.*

46.1% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 53.9% by other nationalities. Total shares held by the directors at 31 December 2020 were 0.20% (2019: 0.20%).

Treasury shares
Treasury shares represent the purchase by the Company of its own shares. During the year, the Company did not purchase any shares (2019: 1,182,781 shares with acquisition cost of BD 94,726). The market value as at reporting date was BD 159,675 (2019: BD 242,470). These shares represent 0.98% of the total outstanding shares as at reporting date.

12. OTHER RESERVES

a) Statutory reserve
As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year has to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law. The Company did not transfer an amount to statutory reserve during the current year (2019: BD 157,992).

b) General reserve
The general reserve represents funds set aside for the purpose of future capital expenditure and to enhance the capital base of the Company. There are no restrictions over the distribution of this reserve.

c) Revaluation reserve
The revaluation reserve relates to the fair valuation of freehold land classified as property, plant and equipment, owned by the Company.

13. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the liability recognised in the statement of financial position in respect of employees' end of service benefits are as follows:

	2020	2019
Balance as at 1 January	303,129	331,782
Provided during the year	51,998	52,739
End of service benefits paid	(128,528)	(81,392)
Balance as at 31 December	**226,599**	303,129

14. TRADE AND OTHER PAYABLES

	2020	2019
Accrued expenses	400,981	562,292
Trade payables	165,217	289,856
Retentions payable	-	275,314
Amounts due to related parties (note 18)	216,626	270,166
Dividends payable (note 10)	3,422	227,654
Advances from customers	56,558	89,502
Provision for charitable contributions	45,000	45,000
Construction contractors payable	126,428	32,333
Contract liability	11,863	18,938
Other payables	6,613	60,822
	1,032,708	1,871,877

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020	2019
Hotel rooms	929,304	2,363,816
Food and beverages	609,618	1,878,912
Serviced apartments	1,143,518	1,396,300
Other departments	108,204	245,187
	2,790,644	5,884,215

16. OPERATING COSTS

	2020	2019
Food and beverages	520,931	1,201,556
Room related expenses	358,347	583,460
Serviced apartments related expenses	404,840	510,668
Expenses related to office towers	252,097	311,646
Other operating costs	1,241,892	1,926,576
	2,778,107	4,533,906

An analysis of gross operating costs on the basis of nature of expenses is as follows:

	2020	2019
Payroll and related expenses	1,221,290	1,967,267
Overhead expenses	447,506	547,182
Consumption of inventories	178,054	544,072
Utilities, insurance and taxes	381,566	654,654
Repairs and maintenance	182,149	215,294
Commission expenses	136,992	241,640
Management fees (note 18)	71,724	127,259
Sales and marketing	76,828	135,241
Others	81,998	101,297
	2,778,107	4,533,906

17. OTHER INCOME

	2020	2019
Government levy subsidy	85,118	-
Other Income	10,761	40,985
	95,879	40,985

18. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the associated company, major shareholders, directors and key management personnel of the Company, the operator of the hotel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Transactions with related parties included in the statement of profit or loss are as follows:

2020	**Share of profit**	**Purchases**	**Management fees**	**Other expenses**	**Revenues**
Shareholder	-	-	-	-	612,744
Associate	959,995	20,982	-	-	-
Management company (Rezidor)	-	-	71,724	16,214	-
Directors	-	-	-	212,000	2,793
	959,995	**20,982**	**71,724**	**228,214**	**615,537**

2019	Share of profit	Purchases	Management fees	Other expenses	Revenues
Shareholder	-	-	-	-	612,744
Associate	2,060,440	108,425	-	-	848
Management company (Rezidor)	-	-	127,259	13,125	-
Directors	-	-	-	216,125	2,720
	2,060,440	108,425	127,259	229,250	616,312

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

	Trade and other receivables		**Trade and other payables**	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
Associate	**-**	870	**4,232**	17,519
Management Company (Rezidor)	**2,307**	17,997	**51,394**	96,522
Directors	**432**	1,136	**161,000**	156,125
	2,739	20,003	**216,626**	270,166

Terms and conditions of transactions with related parties
Outstanding balances at the year end arise in the normal course of business and are unsecured, interest free and settlement occurs in cash, and are usually settled within 30 days. There have been no guarantees received or provided for any related party payable and receivable balances.

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The directors' remuneration charged to statement of profit or loss during the year ended 31 December 2020 amounted to BD 161,000 (2019: BD 156,125) which only includes the basic fees. Further, the directors' remuneration related to year ended 31 December 2019 paid during the year amounted to BD 156,125 (2019: BD 119,500 related to year ended 31 December 2018).

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly of the entity. The remuneration of key management personnel, other than directors, during the year were as follows:

	2020	2019
Short-term benefits	113,762	141,524
Post-employment benefits	3,364	2,022
	117,126	143,546

19. PROPOSED APPROPRIATIONS

	2020	2019
Proposed appropriations:		
Cash dividend	960,738	1,200,922

Proposed appropriation of the 2020 results are subject to approval by shareholders at the Annual General Meeting. During the annual general meeting held on 26 March 2020 the shareholders approved a dividend of BD 1,200,922 for the year 2019.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company manages risk through a process of ongoing identification and monitoring of the risks it faces. The Company is exposed to interest rate risk, credit risk, liquidity risk, equity price risk and reputational risk.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Executive committee

The executive committee is responsible for evaluating and approving business and risk strategies, plans and policies of the Company. It is also responsible for market and liquidity risks pertaining to the Company's investment activity by optimising liquidity and maximising returns from the funds available to the Company.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's overdraft facilities with floating interest rates.An increase in the interest rate on the outstanding overdraft facilities by 100 basis points with all other variables held constant, would have changed the profit for the year by an immaterial amount.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on certain portion of its trade and other receivables, balance with bank and investment in mudaraba. The Company places its deposits and funds with banks and investment managers having good credit ratings and they believe that the related credit risk is minimal. With regard to trade and other receivables, the Company 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.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

2020	**Less than 31 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**More than120 days**	**Total**
Estimated total gross carrying amount at default	71,177	45,218	14,431	50,534	31,189	212,549
ECL	(2,500)	(5,188)	(2,746)	(17,052)	(25,415)	(52,901)
Net trade receivables	**68,677**	**40,030**	**11,685**	**33,482**	**5,774**	**159,648**

2019	Less than 31 days	31 to 60 days	61 to 90 days	91 to 120 days	More than120 days	Total
Estimated total gross carrying amount at default	112,325	76,888	68,770	38,110	35,752	331,845
ECL	(9,941)	(10,895)	(11,003)	(28,743)	(29,102)	(89,684)
Net trade receivables	102,384	65,993	57,767	9,367	6,650	242,161

The Company provides its services to a large number of customers. Its largest five customers account for 30% of outstanding trade receivables at 31 December 2020 (2019: 39%).

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Company's maximum exposure to credit risk is limited to the carrying amounts of the following financial assets:

	2020	2019
Trade receivables - net	159,648	242,161
Contract asset	-	17,630
Other receivables	27,910	6,722
Cash and cash equivalents	1,429,149	1,021,684
Bank deposits	2,500,000	1,000,000
	4,116,707	2,288,197

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Government of Bahrain, which the Company operates in to contain the pandemic placed sever stress on the Company's liquidity as revenue generating activities were restricted from early March 2020 till reporting date. The Company has taken and continue to take actions to mitigate the impact, including reducing capital expenditure and operating expenses. The Company believes that the effects of COVID-19 pandemic on its operations will continue to have a negative impact on its financial results and liquidity.

As at 31 December 2020, The Company has BD 4,304,141 of resources comprising cash and cash equivalents of BD 1,435,960 and, other highly liquid assets (listed shares) of BD 2,368,181 and unused credit line available of BD 500,000 which will be sufficient to meet its obligations when they fall due. The Company's associate continues to perform well and is expected to continue to provide cash flows to the Company through dividend distribution.

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

2020	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Dividends payable (note 10)	3,422	-	-	3,422
Trade payables	-	165,217	-	165,217
Amounts due to related parties	-	216,626	-	216,626
Construction contractors payable	-	126,428	-	126,428
Other payables	-	6,613	-	6,613
	3,422	**514,884**	**-**	**518,306**

2019	Less than 3 months	3 to 12 months	1 to 5 years	Total
Retentions payable	275,314	-	-	275,314
Dividends payable	227,654	-	-	227,654
Trade payables	-	289,856	-	289,856
Amounts due to related parties	-	270,166	-	270,166
Construction contractors payable	-	32,333	-	32,333
Other payables	-	60,822	-	60,822
	502,968	653,177	-	1,156,145

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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's transactions are mainly in Bahraini Dinars and United Stated Dollars. The Company is not exposed to significant currency risk as the Bahraini Dinar is pegged to the United States Dollar.

Equity price risk
Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Company controls equity price risk by diversifying its investments.

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

	2020			2019		
	Change in equity price	**Effect on equity**	**Effect on profit**	Change in equity price	Effect on equity	Effect on profit
Equity investments at FVOCI	+20%	531,796	-	+20%	548,250	-
	-20%	(531,796)	-	-20%	(548,250)	-
Equity investments at FVPL	+20%	-	12,813	+20%	-	12,303
	-20%	-	(12,813)	-20%	-	(12,303)

The Company also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, then the statement of profit or loss will be impacted.

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 Company. The board of directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Company 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 Company's approach to capital management during the year.

21. FAIR VALUE

Financial assets and liabilities measured at fair value
Financial assets consist of cash and cash equivalents, bank deposits, trade and other receivables and investments. Financial liabilities consist of trade and other payables.

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 as at reporting date.

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at FVOCI	2,307,041	-	351,939	2,658,980
Investments at FVTPL	64,063	-	2,000,000	2,064,063
	2,371,104	**-**	**2,351,939**	**4,723,043**

21. FAIR VALUE (continued)

2019	Level 1	Level 2	Level 3	Total
Investments at FVOCI	2,392,942	-	348,309	2,741,251
Investments at FVTPL	61,515	-	2,000,000	2,061,515
	2,454,457	-	2,348,309	4,802,766

There were no transfers between Level 1 and Level 3 of the fair value hierarchy during the year. The table below shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2020	2019
Balance at 1 January	2,348,309	346,511
Addition during the year	-	2,000,000
Net change in fair value:		
- in other comprehensive income	3,630	1,798
Balance at 31 December	**2,351,939**	2,348,309

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

The fair value of other financial liabilities, including trade and other payables are measured at amortised cost which is not materially different from to its carrying amount.

Non-financial assets not measured at fair value but where the fair value is disclosed
The fair value of the Company's investment property and freehold land as at reporting date have been arrived at on the basis of a valuation carried out on the respective dates. The fair value was determined by an independent property valuer who has qualifications and experience in valuing similar properties based on investment capitalisation approach that reflects the net potential income of the property over the capitalisation rate. Accordingly, the fair value has been categorised as level 3 in the fair value hierarchy.

22. SEGMENT INFORMATION

The Company's operating businesses are organised into the following segments:

Hotel business and corporate	-	Room rental, food and beverage sales, conferences and events, and head office expenses.
Office towers	-	Office rental from two commercial towers.
Investments	-	Income from investments including the associate, equity investments and bank deposits.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Segment assets include all operating assets used by a segment and consist primarily of property, plant and equipment, inventories, investments 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 segments is allocated to segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued liabilities.

22. SEGMENT INFORMATION (continued)

31 December	**Hotel business**		**Office towers**		**Investments and corporate**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue from contracts with customers	**2,790,644**	5,884,215	**-**	-			**2,790,644**	5,884,215
Rental income	**-**	-	**1,120,704**	1,173,673	**-**	-	**1,120,704**	1,173,673
Gross operating costs	**(2,526,010)**	(4,222,260)	**(252,097)**	(311,646)	**-**	-	**(2,778,107)**	(4,533,906)
Gross operating profit	**264,634**	1,661,955	**868,607**	862,027	**-**	-	**1,133,241**	2,523,982
Investment income - net*		-		-	**959,995**	2,060,440	**959,995**	2,060,440
Other Income		-		-	**431,794**	360,680	**431,794**	360,680
Depreciation	**(2,096,730)**	(2,208,898)	**(583,078)**	(581,991)	**-**	-	**(2,679,808)**	(2,790,889)
Impairment	**(471,822)**	-	**(4,455,431)**	-	**-**	-	**(4,927,253)**	-
General and administration expenses	**-**	-	**-**	-	**(430,633)**	(574,297)	**(430,633)**	(574,297)
(Loss) / profit for the year	**(2,303,918)**	(546,943)	**(4,169,902)**	280,036	**961,156**	1,846,823	**(5,512,664)**	1,579,916

* *Including share of profit of associate*

31 December	**Hotel business**		**Office towers**		**Investments and corporate**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Total assets	**30,574,563**	34,707,106	**33,185,572**	36,798,965	**15,463,609**	15,828,109	**79,223,744**	87,334,180
Total liabilities	**1,001,620**	2,163,971	**28,272**	6,320	**229,414**	4,715	**1,259,306**	2,175,006

23. COMMITMENTS AND CONTINGENCIES

The Company has a capital expenditure commitment of BD 225,000 related to the refurbishment of the hotel and other related capital expenditures (2019: nil).

The Company has an outstanding guarantee of BD 4,050 as at reporting date (2019: BD 10,050).

24. IMPACT OF COVID-19

The outbreak of the COVID-19 pandemic across the world and the measures adopted by governments worldwide to mitigate its spread have sharply affected the travel and hospitality industries over the last 9 months of 2020. The Company's operations were heavily impacted with a 45% drop in its core revenue. These measures included restriction on travel, border closings, lockdown, quarantines measures, closure of businesses. This has negatively impacted the Company's financial performance during the year and also its liquidity position (refer note 20). The Government of Kingdom of Bahrain has provided financial support to businesses to mitigate some of the impact of COVID-19. The Company has received some benefits from these Packages mainly in the form of temporary waiver of Electricity and Water Authority utility bills, Government levy and partial reimbursement of salaries of employees from the Unemployment Fund and exemption from remitting the government levy.

Included in statement of profit or loss is BD 156,479 of government support received relating to supporting the payroll of Company's employees, BD 119,756 relating to utility bills and BD 85,118 relating to Government levy. The Company has elected to present the payroll and utility bills support by reducing the related expense. Government levy has been presented in other income.

The management and the Board of Directors (BOD) have been closely monitoring the potential impact of the COVID-19 developments on the Company's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts, outsourcing arrangements etc. Based on their assessment, the BOD is of the view that the Company will continue as a going concern entity for the next 12 months from the date of this financial statements.

25. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the current period presentation. Such reclassifications do not affect previously reported profit or equity.