

## Supplementary Disclosure - Financial Impact of COVID-19

This Supplementary Disclosure is prepared in light of the Central Bank of Bahrain requirement issued in their letter dated 14 July 2020 (ref. OG/259/2020), with the aim of highlighting the impact COVID-19 had on the Company's financials.

The World Health Organization (WHO) has declared the outbreak of the Corona virus ("COVID-19") on 11<sup>th</sup> March 2020. This declared pandemic has resulted in a global economic slowdown overcasting uncertainties on the global economic environment. 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 hospitality sector was not immune to this, and was one of the main sectors affected by this pandemic, sending it into tailspin with the sudden onslaught of this virus. From lockdowns to travel bans and border closures, hotels have been forced to navigate more uncertain waters than ever before. Furthermore, the Government of the Kingdom of Bahrain has announced various economic stimulus programmes to support businesses in these challenging times. The Company received financial assistance representing specified reimbursement of a portion of staff costs, waiver of related regulatory fees, waiver of tourism levies, and the waiver of utility charges. Included in statement of profit or loss is BD 88,583 of government support received relating to supporting the payroll of Company's employees, BD 119,765 relating to utility bills and BD 21,173 relating to Government levy.

With the Hotel and Residential Apartments operating at sub-optimal levels, coupled with the lack of sufficient demand, and un-remunerative room rates, COVID-19 has had an adverse impact on the Company's financials, as follows.

- A decline of circa BD 1.4 million in revenues as compared to the same period last year resulting from guest cancellations and reduction in rates offered.
- A reduction of circa BD 195K in value of equity investments during the period.
- A decline in the share of profits from an associate by circa BD 353K.
- Net Profit Margin decreased to 10%, from 22% for the same period last year.

In response to COVID-19, the Company has activated its business continuity plan and risk management practices to combat the evident business disruption on its operations and financial performance and continues to actively monitor the developments of COVID-19. The Company has also performed a going concern assessment in the light of current economic conditions and all available information about future risks and



uncertainties, covering the Company's future performance, capital adequacy and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this interim condensed financial information has been appropriately prepared on a going concern basis.

Regards,



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Chief Executive Officer