مجموعة فنادق الخليج
GULF HOTELS GROUP

The unprecedented COVID-19 outbreak at the beginning of 2020 came with dire consequences. Action taken by countries across the globe created a snowball effect, dramatically impacting on most industries but in particular the entire travel and hospitality industry. The effect of the Covid-19 pandemic on our business can be summarized as follows:

- The almost total non-existence of tourists and visitors to Bahrain
- The King Fahad Causeway closure deprived the industry from the valuable influx of traffic from KSA.
- The retail business closure as ruled by the government to prevent the virus spread impacted on our retailing business
- The suspension of normal restaurant operations (except for takeaway) for almost 5 months has resulted in major revenue loss
- The restriction on gatherings and meetings resulted in the cancellation of all meetings, events and weddings.
- The supply chain disruption, from manufacturing to delivery sourced from across the world.
- Creditors inability to fulfil their commitments.
- Inventories expiring as result of no demand.
- Projects were put on hold
- Increase in cybersecurity risks
- Lack of employees' confidence in jobs' continuity.
- Huge uncertainty in the virus related information to make mid to long terms decisions
- The risk of wider virus spread

In light of the above challenges, the Gulf Hotels Group trading was hugely affected and the Group's management strived to minimize the damage from the biggest crisis to face the Group in its 50-year history. The major challenges included:

- Some units reported zero income vs. sizeable fixed and operating costs.
- Decrease in lease revenues.
- Trade imbalance between revenues and dues on one side and receivables and payables on the other side.
- Restructuring the manpower across the entire hierarchy.
- Cutting costs through extreme controls.
- Embracing a suddenly emerging shift towards change.
- Embracing remote working as contingency to safeguard our staff.
- Introducing a raft of new procedures, particularly in the area of hygiene and sanitation.
- Creating exhaustive weekly reports for sound and timely decision making and crisis response.
- Rapid response to track and trace any possible positive virus case, isolating staff in order to keep the team at large safe.
- Changes to the marketing plan to address customer concerns of hygiene and safety during the pandemic
- Mitigating a global economic downturn resulting in lesser consumer spending along a decrease in consumers' confidence.
- Accepting that losses to incur are inevitable facts and the most important is keeping the business afloat as the top priority.

While uncertainty reins about reopening parts of the business and what the "new normal" will be, our approach is focused on the best practices during this current period:

- By improving the health and safety standard operating procedures and techniques
- Adopting the best practices to safeguard our staff, our clients and preventing virus transmission
- Practicing cash disinfection and utilizing wireless payments technologies.
- Rotating staff to support other divisions where business exists.
- Sharing resources across the Group.

- Empowering the Shared Services Center to reduce overheads.
- Attending all actions that can be taken as stated by laws and regulations.
- Financially developing forecast models simulating all possible scenarios, and actions.
- Benefiting in all extents from our Research and Sourcing (Procurement) functions.
- Avoiding any outsourcing by benefiting of our staff and senior management soft skills by multitasking roles.

The above summarizes the impact of the crisis from an operational perspective, while our financials have recorded for the first six months of year 2020 a GOP of BD 4.216m reflecting the Group's ability to generate cash in very difficult trading conditions, while the net loss of BD 2.999m is substantiated as follows:

1- A 41% decrease in sales
2- Most of constant elements remained the same as previous year i.e. depreciation and loan interest.
3- 100% or BD 382,761 increase in provisions for doubtful debts.
4- Impairment of land BD 2.3m

We are not foreseeing any going concern qualification for GHG despite the adverse decrease in revenue, that we aligned with decrease in costs in general and optimization of our costs of sales; any recorded losses won't have a severe impact on the equity of the company. GHG's business structure is continuously evolving and scrapping unnecessary processes or roles; GHG doesn't have any legal challenges; finally, GHG has a robust accounting and reporting systems in place with a professional team continuously monitoring and reporting trends and financial indicators.

GHG's future cash flows' forecasts do not show red flags about the business going concern, when it comes to working capital and liquidity; even in the worst case scenarios, GHG's financial and shareholders have ample resources to continue to operational existence for a year to come.

The below statutory auditors' condensed interim financial information for the six-month period ended 30 June 2020 are as follows:

Financial statement area	Nature of impact	Amount <BD>
Operating Income	Decrees	(7,748,869)
Government grants	Increase	480,821
Property impairment	Increase	(2,315,810)
Impairment allowance of trade receivable	Increase	(382,761)
Accumulated losses		(2,998,961)

No other significant impact has been noted by the management on other financial statement areas during the period ended 30 June 2020.