

Significance of Covid-19 Impact on FS for the period ended 30 June 2020

The World Health Organization declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Company has experienced significant disruption to its operations in the following respects:

- The closure of the hotel outlets due to local governments mandating that ‘non-essential’ businesses cease normal operations;
- Disruptions in the supply of inventory from major suppliers;
- Decreased demand for travel, accommodation, hotel facilities and hotel outlets, as a consequence of social distancing requirements and recommendations;
- Significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for Company’s primary products.

Based on the nature of operations and the industry in which it operates, the Company’s management assessed the significant impact of COVID-19 in the below areas:

- Operating income;
- Rent concessions;
- Government grants;
- Going concern;
- Interest on term loan; and
- Commitments and contingencies.

Their financial impact is displayed in the following table:

CATEGORY	DESCRIPTION	FINANCIAL EFFECT (BD)
Operating Income	Company has experienced a significant reduction in its operating income since pandemic effect was widespread during the period ended 30 June 2020. The Company is engaged in operating hotels, providing services related to Hospitality management. The Hotel operated by the Company was closed during the period causing the decrease in operating income by BD923,210 as compared to the prior period. The Company has reported a total operating income of BD299,059 for the six months period ended as compared to BD964,539 in the corresponding previous period.	(923,210)
Rent Concessions	Due to government policy, the Company had to close substantially its hotel and other hotel facilities starting from March 2020 and hotel remain closed till the end of quarter ended 30 June 2020. The Company has received rent concessions from lessors due to the fact that Company being unable to operate for significant periods of time due to Covid-19 Pandemic. As discussed in Note 2, the Company has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the six months period ended 30 June 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of BD10,084. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.	10,084



Government Grants	<p>The Company applied for various government support programs introduced in response to the global pandemic.</p> <p>Included in profit or loss amounting to BD 43,029 of government grants consists of salary, GOSI and visa charges obtained relating to supporting the payroll of Company's employees. The Company has elected to reduce this government grant from the related expense. The Company had to commit to spending the assistance on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Company does not have any unfulfilled obligations relating to this program.</p> <p>Included in profit or loss is BD 39,809 of government grants obtained relating to the electricity expenses to support the operations of the Company. The Company has elected to present this government grant separately under other income, rather than reducing the related expense.</p>	82,838
Going Concern	<p>The Company has incurred a net loss of BD1,642,982 during the six months period ended 30 June 2020. The current period losses have resulted into accumulated losses amounting to BD1,642,982 as at 30 June 2020 raising concern on the going concern status of the Company.</p> <p>The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of Covid-19 may contribute to evolve, but at the present time the projections show that the Company has ample resources to continue to operational existence and its going concern positions remain 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.</p>	-
Interest on Term Loan	<p>During the period, as per the communication received from the Company's bankers, the instalments and interest on Company's term loan have been deferred by 6 months and repayment shall resume in September 2020. This moratorium has reduced the finance cost for the period ended 30 June 2020 by BD246,243. The Company has elected to recognize this benefit as deferred income and amortized over the remaining period of term loan rather than reducing the related expense and the Company has amortized amounting to BD44,762 during the period and disclosed under other income.</p>	(44,762)
Net Effect		(87,505)

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

Jehad Yusuf Abdulla Amin
Vice-chairman

Redha Abdulla Ali Faraj
Director