

Gulf Hotels Group B.S.C.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2017 (REVIEWED)

REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF GULF HOTELS GROUP B.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Hotels Group B.S.C. ('the Company') and its subsidiaries ('the Group') as at 30 September 2017, comprising of the interim consolidated statement of financial position as at 30 September 2017 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the nine-month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

8 November 2017

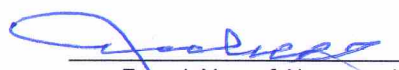
Manama, Kingdom of Bahrain

Gulf Hotels Group B.S.C.


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

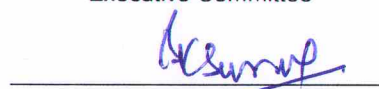
At 30 September 2017 (Reviewed)

		30 September 2017 Reviewed BD	31 December 2016 Audited BD
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	8	55,282,389	54,080,581
Investment properties		859,243	898,123
Investment in associates	9	9,538,353	9,559,941
Available-for-sale investments	10	12,840,439	13,339,623
		<u>78,520,424</u>	<u>77,878,268</u>
Current assets			
Inventories		3,003,662	3,524,440
Trade and other receivables		3,120,984	3,206,926
Cash and bank balances	12	33,859,639	31,956,746
		<u>39,984,285</u>	<u>38,688,112</u>
TOTAL ASSETS		<u>118,504,709</u>	<u>116,566,380</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	4	22,599,487	20,544,988
Share premium	4	17,514,442	17,514,442
Treasury shares	4	(33,248)	(33,248)
Statutory reserve		10,272,494	10,272,494
General reserve		5,000,000	5,000,000
Available-for-sale investments reserve		3,039,249	3,527,793
Proposed dividend		-	5,134,968
Retained earnings		48,692,757	42,068,586
Total equity		<u>107,085,181</u>	<u>104,030,023</u>
Non-current liability			
Employees' end of service benefits		2,113,843	2,370,003
Current liability			
Trade and other payables		9,305,685	10,166,354
Total liabilities		<u>11,419,528</u>	<u>12,536,357</u>
TOTAL EQUITY AND LIABILITIES		<u>118,504,709</u>	<u>116,566,380</u>


Farouk Yousuf Almoayyed
Chairman


Garfield Jones
Chief Executive Officer


Mohammed Hussain Yateem
Director & Chairman
Executive Committee


Suresh Surana
Chief Financial Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine-month period ended 30 September 2017 (Reviewed)

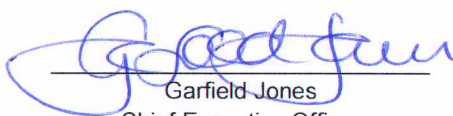
	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2017 BD	2016 BD	2017 BD	2016 BD (restated)
Gross operating revenue		9,160,401	9,672,324	27,545,915	26,054,602
Gross operating costs		(6,058,810)	(6,117,607)	(17,573,071)	(15,689,087)
GROSS OPERATING PROFIT		3,101,591	3,554,717	9,972,844	10,365,515
Net investment income:					
Share of profits from associates	9 & 14	653,021	451,560	1,560,041	539,933
Dividend income	7	239,226	209,714	827,883	531,980
(Loss) gain on trading investments		-	(4,029)	-	13,033
Impairment loss on available-for-sale investments	10	(17,503)	(68,869)	(76,162)	(193,068)
Interest income		187,616	112,276	492,610	271,414
Other income		241,687	191,462	695,885	516,038
Total income		4,405,638	4,446,831	13,473,101	12,044,845
Depreciation		(1,154,582)	(1,116,243)	(3,437,454)	(2,800,476)
Charity reserve expense		(68,055)	(67,950)	(204,165)	(203,850)
General and administration expenses		(373,486)	(368,812)	(1,152,812)	(1,660,062)
Total expenses		(1,596,123)	(1,553,005)	(4,794,431)	(4,664,388)
PROFIT FOR THE PERIOD BEFORE GAIN ON BARGAIN PURCHASE		2,809,515	2,893,826	8,678,670	7,380,457
GAIN ON BARGAIN PURCHASE	3	-	-	-	6,125,681
PROFIT FOR THE PERIOD		2,809,515	2,893,826	8,678,670	13,506,138
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	4	12	13	38	60



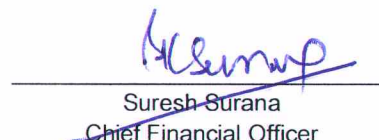
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Garfield Jones
Chief Executive Officer



Suresh Surana
Chief Financial Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2017 (Reviewed)

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2017 BD	2016 BD	2017 BD	2016 BD (restated)
Profit for the period		2,809,515	2,893,826	8,678,670	13,506,138
Other comprehensive (loss) income					
Net movement in fair valuation of available-for-sale investments to be reclassified to profit or loss in subsequent periods	10	(441,059)	8,900	(482,665)	(29,046)
Share of fair value reserve of associates	9	(1,598)	(55,784)	(5,879)	(4,459)
Other comprehensive loss for the period		(442,657)	(46,884)	(488,544)	(33,505)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,366,858	2,846,942	8,190,126	13,472,633

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2017 (Reviewed)

		Nine-month period ended 30 September	
	Note	2017 BD	2016 BD (restated)
OPERATING ACTIVITIES			
Profit for the period		8,678,670	13,506,138
Adjustments for:			
Gain on bargain purchase	3	-	(6,125,681)
Depreciation		3,437,454	2,800,476
Share of profits from associates	9 & 14	(1,560,041)	(539,933)
Dividend income	7	(827,883)	(531,980)
Interest income		(492,610)	(271,414)
Gain on trading investments		-	(13,033)
Impairment loss of available-for-sale investments	10	76,162	193,068
Provision for doubtful debts		14,074	14,626
Provision for slow moving inventories		12,102	3,600
Provision for employees' end of service benefits		86,166	173,815
Operating profit before working capital changes		9,424,094	9,209,682
Working capital changes:			
Inventories		508,676	(410,770)
Trade and other receivables		62,643	(528,785)
Trade and other payables		(672,829)	(571,027)
Net cash from operations		9,322,584	7,699,100
Directors' remuneration paid		(192,500)	(207,000)
Donations paid		(37,000)	(46,519)
Employees' end of service benefits paid		(342,326)	(135,312)
Net cash flows from operating activities		8,750,758	7,310,269
INVESTING ACTIVITIES			
Cash flow arising on acquisition of a subsidiary	3	-	8,317,126
Purchase of property, plant and equipment		(4,628,607)	(3,368,064)
Purchase of available-for-sale investments		(126,894)	(229,614)
Disposal of available-for-sale investments		5,456	-
Return of capital	10	61,795	-
Interest received		501,835	288,532
Dividend received from associates	9	1,575,750	400,000
Other dividends received		827,883	531,980
Term deposits with a maturity of more than three months		(3,672,679)	(717,556)
Net cash flows (used in) from investing activities		(5,455,461)	5,222,404
FINANCING ACTIVITY			
Dividend paid and cash used in financing activity	5	(5,134,968)	(5,208,163)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,839,671)	7,324,510
Cash and cash equivalents at 1 January	12	11,227,182	4,215,968
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	12	9,387,511	11,540,478

Non-cash items:

- Liabilities towards acquisition of property, plant and equipment to the extent of BD 869,260 (30 September 2016: BD 733,620) with a net decrease of BD 28,225 (30 September 2016: net decrease of BD 848,407) were not settled as of the reporting date.
- Interest income of BD 180,535 (30 September 2016: BD 72,827) which has been accrued but is not yet due with a net decrease of BD 9,225 (30 September 2016: net increase of BD 17,118) has been excluded from the movement of trade and other receivables.
- Unclaimed dividends pertaining to prior years amounting to BD 365,169 (30 September 2016: BD 332,977) with a net increase of BD 69,885 (30 September 2016: net increase of BD 112,928) have been excluded from the movement of trade and other payables.
- Net effect of assets and liabilities acquired through share swap business combination with net amount of BD 26,824,567 as summarised in note 3 were excluded from the consolidated statement of cashflows.

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2017 (Reviewed)

Note	Share capital BD	Share premium BD	Treasury shares BD	Statutory reserve BD	General reserve BD	Available- for-sale investments reserve BD	Proposed dividend BD	Retained earnings BD	Total equity BD
Balance at 1 January 2017	20,544,988	17,514,442	(33,248)	10,272,494	5,000,000	3,527,793	5,134,968	42,068,586	104,030,023
Profit for the period	-	-	-	-	-	-	-	8,678,670	8,678,670
Other comprehensive loss	-	-	-	-	-	(488,544)	-	-	(488,544)
Total comprehensive (loss) income	-	-	-	-	-	(488,544)	-	8,678,670	8,190,126
Issuance of bonus shares	2,054,499	-	-	-	-	-	-	(2,054,499)	-
Dividends declared	-	-	-	-	-	-	(5,134,968)	-	(5,134,968)
Balance at 30 September 2017 (reviewed)	22,599,487	17,514,442	(33,248)	10,272,494	5,000,000	3,039,249	-	48,692,757	107,085,181
Balance at 1 January 2016	17,360,544	-	-	8,680,272	5,000,000	3,298,835	5,208,163	32,663,056	72,210,870
Profit for the period (restated)	-	-	-	-	-	-	-	13,506,138	13,506,138
Other comprehensive loss	-	-	-	-	-	(33,505)	-	-	(33,505)
Total comprehensive (loss) income (restated)	-	-	-	-	-	(33,505)	-	13,506,138	13,472,633
Dividends declared	-	-	-	-	-	-	(5,208,163)	-	(5,208,163)
Share issued on acquisition of a subsidiary	3,184,444	17,514,442	-	-	-	-	-	-	20,698,886
Acquisition of treasury shares	-	-	(33,248)	-	-	-	-	-	(33,248)
Balance at 30 September 2016 (reviewed) (restated)	20,544,988	17,514,442	(33,248)	8,680,272	5,000,000	3,265,330	-	46,169,194	101,140,978

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

1 GROUP INFORMATION

Gulf Hotels Group 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 950. The postal address of the Company's registered head office is at P O Box 580, Manama, Kingdom of Bahrain.

The Group owns and operates the Gulf Hotel, Gulf Executive Residence, the Gulf Convention Centre, Gulf Executive Offices and Gulf Brands International in the Kingdom of Bahrain and provides other catering facilities. It also provides management services to The K Hotel, Gulf Residence Amwaj and Gulf Court Seef, Kingdom of Bahrain and to Ocean Paradise Resort, Zanzibar, Republic of Tanzania.

On 31 May 2016, the Company acquired a 100% stake in Bahrain Tourism Company - Crowne Plaza Bahrain S.P.C. ("BTC"), a Company established in the Kingdom of Bahrain, through an exchange of shares. BTC's major undertaking is the Crowne Plaza Bahrain Hotel. BTC also owns and operates Bahrain Tourism Company travel division. It also has a 33.33% interest in African & Eastern (Bahrain) W.L.L.

During the reporting period, BTC changed its legal status from Bahrain Tourism Company B.S.C. to Bahrain Tourism Company - Crown Plaza Bahrain S.P.C.

Information on the Group's structure is provided below. Information on related party relationships of the Group is provided in note 14.

<i>Name of the subsidiary</i>	<i>Ownership interest</i>	<i>Date of incorporation</i>	<i>Activities</i>
Gulf Hotels Management Company S.P.C.	100%	4 December 2002	Managing hotels and restaurants and providing catering services for aircrafts, ships, government organisations and companies.
Hospitality Resources S.P.C.	100%	12 August 2010	Import, export and sales of commercial and household kitchen equipment and interior designing contracts.
Gulf Hotel Laundry Services S.P.C.	100%	1 February 2014	Provision of automatic laundry services.
Bahrain Tourism Company - Crowne Plaza Bahrain S.P.C.	100%	31 May 2016	Building and investing in hotels and other tourism projects.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

1 GROUP INFORMATION (continued)

<i>Name of associate</i>	<i>Ownership interest</i>	<i>Country of incorporation</i>	<i>Activities</i>
Bahrain Family Leisure Company B.S.C. (BFLC)	28.06%	Kingdom of Bahrain	Primarily involved in operating restaurants, providing services related to family entertainment, supply of amusement related equipment and investing in businesses with similar objectives to those of BFLC.
African and Eastern (Bahrain) W.L.L. (A&E)	33.33%	Kingdom of Bahrain	Investment in bonds and shares as well as importing and selling consumer products.

The interim condensed consolidated financial statements of Gulf Hotels Group B.S.C. and its subsidiaries (collectively, the Group) for the nine-month period ended 30 September 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 8 November 2017.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the nine-month period ended 30 September 2017 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting".

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. In addition, results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Other amendments resulting from new standards and interpretations and amendments to standards and interpretations did not have any impact on the accounting policies, consolidated financial position or consolidated financial performance of the Group.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

2 ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single statement of financial position model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Other amendments resulting from new standards and interpretations and amendments to standards and interpretations will not have any impact on the accounting policies, consolidated financial position or consolidated financial performance of the Group.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

3 ACQUISITION OF BAHRAIN TOURISM COMPANY B.S.C.

On 10 February 2016, the shareholders of the Company resolved to acquire 100% of the paid up capital of BTC by issuing 1 share of the Company for every 2.261 shares of BTC. On 31 May 2016, the Company completed the acquisition by issuing 31,844,440 fully paid ordinary shares of the Company to the previous shareholders of BTC.

The fair values of the identifiable assets and liabilities of BTC as of 31 May 2016 amounted to BD 25,665,829. As of 31 December 2016 the fair values have been reassessed and the updated fair values of identifiable net assets of BTC and the resulting impact due to the acquisition are as follows:

	<i>Fair value</i> <i>BD</i>	<i>Carrying value</i> <i>BD</i>
Assets acquired		
Cash and bank balances	1,471,282	1,471,282
Short term bank deposits	6,845,844	6,845,844
Trade receivables	273,475	284,872
Inventory	77,422	77,422
Prepayments and other receivables	270,566	270,566
Available-for-sale investments	4,920,455	4,920,455
Investment in an associate company	6,858,018	6,858,018
Investment properties	928,363	928,363
Property and equipment	8,340,961	15,675,458
	<u>29,986,386</u>	<u>37,332,280</u>
Less: Liabilities assumed		
Trade payables	462,331	462,331
Accrued expenses and other payables	1,779,484	779,484
Dividend payable	437,546	437,546
Provision for employees' leaving indemnities	482,458	482,458
	<u>3,161,819</u>	<u>2,161,819</u>
Net assets	<u>26,824,567</u>	<u>35,170,461</u>
Gain on bargain purchase arising on acquisition		
	<i>BD</i>	
Fair value of identifiable net assets acquired	26,824,567	
Fair value of the consideration given (note 4)	(20,698,886)	
Gain on bargain purchase	<u>6,125,681</u>	
Net cash flow arising on acquisition	<u>8,317,126</u>	

The comparative figures for the nine-month period ended 30 September 2016 have been restated to reflect the updated fair value of identifiable net assets of BTC and the resulting gain on bargain purchase which increased from BD 4,966,943 to BD 6,125,681.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

4 SHARE CAPITAL AND EARNINGS PER SHARE

	30 September 2017 BD	31 December 2016 BD
Share capital:		
Authorised:		
300,000,000 (2016: 300,000,000) ordinary shares of BD 0.100 each	30,000,000	30,000,000
Issued and fully paid:		
Opening balance - 205,449,880 shares of BD 0.100 each	20,544,988	17,360,544
Issued during the period- 31,844,440 shares of BD 0.100 each	-	3,184,444
Issuance of bonus shares (note 5)	2,054,499	-
	22,599,487	20,544,988
Treasury shares: 51,151 shares (2016: 51,151) (arising as part of the acquisition of BTC)	(33,248)	(33,248)

Pursuant to a shareholders' resolution in 2016, the Company raised its authorised capital from 200 million shares to 300 million shares. The legal formalities pertaining to raising authorised share capital was finalised during the year. In 2016, the Company issued 31,844,440 shares, as part of an acquisition transaction, to the shareholders of BTC and gained a 100% stake in BTC (note 3). This resulted in an increase in capital of BD 20,698,886 from the issue, including a share premium of BD 17,514,442. The share premium is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2017	2016	2017	2016 (restated)
Profit for the period – BD	2,809,515	2,893,826	8,678,670	13,506,138
Weighted average number of shares outstanding	225,938,597	225,938,597	225,938,597	225,938,597
Basic and diluted earnings per share – fils	12	13	38	60

No separate figure for diluted earnings per share has been presented as the Group has issued no financial instruments which may have a dilutive effect.

5 DIVIDENDS

At the annual general meeting of the shareholders held on 15 February 2017, the shareholders of the Company resolved to distribute cash dividend of 25 fils per share totaling BD 5,134,968 for the year 2016 (2016: 30 fils per share totaling BD 5,208,163 for the year 2015) and to issue 20,544,988 bonus shares with a nominal value of BD 2,054,499 representing 10% of the issued and paid-up share capital before such bonus shares were issued (2016: no bonus shares). Dividends payable are included within trade and other payables in the interim consolidated statement of financial position as at 30 September 2017.

6 COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2017 Reviewed	31 December 2016 Audited
Letter of guarantees	-	171,000

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

6 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Capital expenditure contracted for at the statement of financial position date but not provided for, relating to the Gulf Hotel, amounted to BD 6,018,312 (31 December 2016: BD 7,947,647).

7 SEASONALITY OF RESULTS

Dividend income of BD 827,883 during the nine-month period ended 30 September 2017 is of a seasonal nature (nine-month period ended 30 September 2016: BD 531,980).

8 PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2017, the Group incurred capital expenditure amounting to BD 4,600,382 (31 December 2016: BD 4,649,318) on its various capital expenditure projects including construction development of Dubai Business Bay Hotel Project, Gulf Residence Juffair, district cooling system and renovation of Crowne Plaza Hotel building.

9 INVESTMENT IN ASSOCIATES

The Group has a 28.06% interest in Bahrain Family Leisure Company B.S.C. (BFLC). BFLC is a public company registered in the Kingdom of Bahrain and primarily involved in operating restaurants, providing services related to family entertainment, supply of amusement related equipment and investing in businesses with similar objectives to those of BFLC.

The Group also has a 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 Group's interests in its associates are accounted for using the equity method in the interim condensed financial statements.

Movements in the carrying value of the investment are as follows:

30 September 2017 (Reviewed)	African & Eastern BD	BFLC BD	Total BD
Balance at 1 January	7,694,862	1,865,079	9,559,941
Share of profit during the period (note 14)*	1,204,499	355,542	1,560,041
Dividends received	(1,500,000)	(75,750)	(1,575,750)
Share in associates' cumulative changes in fair values	(5,879)	-	(5,879)
Carrying value	<u>7,393,482</u>	<u>2,144,871</u>	<u>9,538,353</u>
31 December 2016 (Audited)	African & Eastern BD	BFLC BD	Total BD
Balance at 1 January	6,858,018	1,821,415	8,679,433
Share of profit during the year	1,209,320	43,664	1,252,984
Dividends received	(400,000)	-	(400,000)
Share in associates' cumulative changes in fair values	27,524	-	27,524
Carrying value	<u>7,694,862</u>	<u>1,865,079</u>	<u>9,559,941</u>

Gulf Hotels Group B.S.C.

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9 INVESTMENT IN ASSOCIATES (continued)

	BFLC	
	30 September 2017 Reviewed	31 December 2016 Audited
Fair value based on share price	818,100	858,500
Share price	0.081	0.085

*Based on the approved management accounts of African & Eastern (Bahrain) W.L.L. and BFLC for the nine-month period ended 30 September 2017, the Group has recognised a profit of BD 1,204,499 and BD 355,542 representing their 33.33% and 28.06% share, respectively (nine-month period ended 30 September 2016: Profit of BD 565,410 and loss of BD 25,477, respectively).

The associates had no contingent liabilities or capital commitments as at 30 September 2017 (31 December 2016: none).

10 AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2017 Reviewed BD	31 December 2016 Audited BD
Equity investments:		
Quoted investments originally trading investments (at fair value)*	5,510,745	6,084,385
Quoted investments (at fair value)	6,479,291	6,334,251
Unquoted investments (at cost less impairment)	710,071	771,865
	12,700,107	13,190,501
Managed funds:		
At fair value (note 11)	139,931	148,721
At cost	401	401
	140,332	149,122
	12,840,439	13,339,623

*Quoted investments (at fair value) includes an amount of BD 220,149 (31 December 2016: BD 220,149) which represents Basel III compliant Additional Tier I Convertible Perpetual Capital Securities denominated in Bahraini Dinars issued by a commercial bank in the Kingdom of Bahrain in 2016. The security is perpetual with the first possible call at the option of the issuer on 2 May 2021 and carries interest at a fixed rate of 8.25% per annum until 2 May 2021. Securities' holders will not have a right to claim the coupon if not paid and such event will not be considered as event of default.

The unquoted investments are carried at cost less impairment, as fair value cannot be reliably determined due to the unpredictable nature of future cash flows. As of 30 September 2017, the cumulative impairment provision on unquoted investments amounted to BD 148,566 (31 December 2016: BD 148,566). No impairment provision for unquoted investments was provided for the nine-month period ended 30 September 2017 (30 September 2016: BD 8,333).

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At 30 September 2017 (Reviewed)

10 AVAILABLE-FOR-SALE INVESTMENTS (continued)

Movement in the available for sale investments for the period/year is as follows:

	30 September 2017			
	Quoted investments BD	Unquoted investments BD	Managed funds BD	Total BD
Opening balance	12,418,636	771,866	149,121	13,339,623
Purchases during the period	124,095	-	2,799	126,894
Disposals during the period	-	-	(5,456)	(5,456)
Return of capital	-	(61,795)	-	(61,795)
Fair value loss on available-for-sale investments - net	(476,533)	-	(6,132)	(482,665)
Impairment	(76,162)	-	-	(76,162)
Closing balance (note 11)	11,990,036	710,071	140,332	12,840,439

	31 December 2016 (Audited)			
	Quoted investments BD	Unquoted investments BD	Managed funds BD	Total BD
Opening balance	6,507,714	586,066	-	7,093,780
Acquisition of a subsidiary	4,583,642	194,133	142,680	4,920,455
Purchases during the year	1,320,984	-	-	1,320,984
Fair value gain on available-for-sale investments - net	194,993	-	6,441	201,434
Impairment	(188,697)	(8,333)	-	(197,030)
Closing balance (note 11)	12,418,636	771,866	149,121	13,339,623

* Quoted investments originally trading investments (at fair value) represented quoted investments that were held with the intention to derive short-term gains. Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified these held for trading equity investments to available-for-sale. The Group identified the investments eligible under the amendments for which at 1 October 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. The change of intent was attributable to the turmoil in the equity markets due to the credit and liquidity problems in the market. Management believed that the market conditions at that time qualified for the definition of 'rare circumstances' under the revised IAS 39. The reclassifications were made with effect from 1 October 2008 at fair value at that date. The carrying value and the fair value of the investments on 1 October 2008 when the reclassification was made, was BD 2,155,274. This became the deemed cost of the investments upon transfer. The remaining cost of reclassified investments is 1,153,072 as of 30 September 2017 (31 December 2016: BD 1,153,072).

As at 30 September 2017 the carrying and fair value of reclassified investments is BD 1,547,313 (31 December 2016: BD 1,594,880). During the nine-month period ended 30 September 2017, the Group has not recognised any fair value adjustments (nine-month period ended 30 September 2016: nil) in the interim consolidated statement of income and recognised a fair value loss of BD 47,567 (nine-month period ended 30 September 2016: fair value loss of BD 199,338) in the interim consolidated statement of comprehensive income, on the said investments. Had there been no reclassification the Group would have recognised a fair value loss of BD 47,567 for the period (nine-month period ended 30 September 2016: fair value loss of BD 199,338) in the interim consolidated statement of income.

Fair value hierarchy of financial instruments are disclosed in note 11.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, trade and other receivables and available-for-sale investments. Financial liabilities consist of trade and other payables.

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

	30 September 2017		31 December 2016	
	Reviewed		Audited	
	Carrying amount BD	Fair value BD	Carrying amount BD	Fair value BD
Financial assets:				
Quoted available-for-sale investments (note 10)	11,990,036	11,990,036	12,418,636	12,418,636
Managed funds (note 10)	139,931	139,931	148,721	148,721

The Group assessed that cash and bank balances, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

Fair values of quoted available-for-sale investments are based on price quotations at the reporting date.

Fair value hierarchy

The Group held the following financial instruments, measured at fair value:

	30 September 2017 Reviewed BD	31 December 2016 Audited BD
Available-for-sale investments (Level 1)	11,990,036	12,418,636
Managed funds available-for-sale investments (Level 2)	139,931	148,721
	12,129,967	12,567,357

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated 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.

There were no transfers between levels during the current or prior period. Unquoted investments are carried at cost less impairment and are not included in the above table.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

12 CASH AND BANK BALANCES

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprises the following statement of financial position amounts:

	30 September 2017 Reviewed BD	31 December 2016 Audited BD	30 September 2016 Reviewed BD
Cash on hand, bank balances and term deposits	33,859,639	31,956,746	30,160,914
Term deposits with an original maturity of more than three months	(24,106,959)	(20,434,280)	(18,287,459)
Bank balances representing unclaimed dividends	(365,169)	(295,284)	(332,977)
Cash and cash equivalents as per interim consolidated statement of cash flows	9,387,511	11,227,182	11,540,478

13 SEGMENT INFORMATION

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

Hotel operations	- Hotel room and rental and management of executive apartments and offices and provisioning of automatic laundry services.
Food and beverage	- Retail sale of food and beverages and convention operations.
Commercial activities	- Import, export and sale of kitchen and household equipment and interior decorations.
Investments and other activities	- Investment activities of the Group.

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

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

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

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

Segment liabilities include all operating liabilities and consist primarily of trade and other payables.

The Group operates in the Kingdom of Bahrain, hence geographical information is not required.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2017 (Reviewed)

13 SEGMENT INFORMATION (continued)

	Hotel room operations			Food and beverage			Commercial activities			Investment and other activities			Consolidated		
	2017			2017			2017			2017			2017		
	BD	Reviewed	BD	BD	Reviewed	BD	BD	Reviewed	BD	BD	Reviewed	BD	BD	Reviewed	BD
Three-month ended 30 September															
Gross operating revenue	2,561,561	2,751,707	6,598,840	6,918,391		2,226	-	2,226	-	-	-	-	9,160,401	9,672,324	
Gross operating costs	(1,893,883)	(2,225,086)	(4,164,927)	(3,885,646)		(6,875)	-	(6,875)	-	-	-	-	(6,058,810)	(6,117,607)	
Gross operating profit	667,678	526,621	2,433,913	3,032,745		(4,649)	-	(4,649)	-	-	-	-	3,101,591	3,554,717	
Investment income - net	-	-	-	-		-	-	-	874,744	588,376	588,376	588,376	874,744	588,376	
Interest income	-	-	323	375		-	-	-	187,293	111,901	111,901	111,901	187,616	112,276	
Other income	42,856	40,704	24,847	21,593		300	1,674	1,674	173,684	127,491	127,491	127,491	241,687	191,462	
Depreciation	(852,182)	(787,260)	(315,360)	(333,286)		(95)	-	(95)	12,960	4,398	4,398	4,398	(1,154,582)	(1,116,243)	
Charity reserve expense	-	-	-	-		-	-	-	(68,055)	(67,950)	(67,950)	(67,950)	(68,055)	(67,950)	
Other expenses	(11,008)	(9,386)	(5,279)	(6,785)		(282)	4,999	4,999	(356,917)	(357,640)	(357,640)	(357,640)	(373,486)	(368,812)	
Segment profit for the period	(152,656)	(229,321)	2,138,444	2,714,642		18	1,929	1,929	823,709	406,576	406,576	406,576	2,809,515	2,893,826	
Nine-month ended 30 September															
Gross operating revenue	7,686,630	7,061,628	19,859,285	18,977,794		15,180	-	15,180	-	-	-	-	27,545,915	26,054,602	
Gross operating costs	(4,916,776)	(3,831,161)	(12,656,295)	(11,847,569)		(10,357)	-	(10,357)	-	-	-	-	(17,573,071)	(15,689,087)	
Gross operating profit	2,769,854	3,230,467	7,202,990	7,130,225		4,823	-	4,823	-	-	-	-	9,972,844	10,365,515	
Gain on bargain purchase	-	-	-	-		-	-	-	-	6,125,681	6,125,681	6,125,681	-	6,125,681	
Investment income - net	-	-	-	-		-	-	-	2,311,762	891,878	891,878	891,878	2,311,762	891,878	
Interest income	-	-	979	1,249		-	-	-	491,631	270,165	270,165	270,165	492,610	271,414	
Other income	121,064	120,413	59,741	55,407		952	1,674	1,674	514,128	338,544	338,544	338,544	695,885	516,038	
Depreciation	(2,513,390)	(1,894,299)	(924,064)	(906,040)		-	(137)	(137)	-	-	-	-	(3,437,454)	(2,800,476)	
Charity reserve expense	-	-	-	-		-	-	-	(204,165)	(203,850)	(203,850)	(203,850)	(204,165)	(203,850)	
Other expenses	(33,028)	(31,341)	(15,717)	(17,762)		(546)	(1,604)	(1,604)	(1,103,521)	(1,609,355)	(1,609,355)	(1,609,355)	(1,152,812)	(1,660,062)	
Segment profit for the period	344,500	1,425,240	6,323,929	6,263,079		406	4,756	4,756	2,009,835	5,813,063	5,813,063	5,813,063	8,678,670	13,506,138	

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At 30 September 2017 (Reviewed)

13 SEGMENT INFORMATION (continued)

	Hotel room operations			Food and beverage			Commercial activities			Investment and other activities			Consolidated		
	30 September 2017	31 December 2016	30 September 2017	30 September 2017	31 December 2016	30 September 2017	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016	31 December 2016
	BD Reviewed	BD Audited	BD Reviewed	BD Reviewed	BD Audited	BD Reviewed	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Audited
Total assets	56,134,261	62,476,604	29,858,142	30,153,802		58,347	57,681		32,453,959	23,878,293	118,504,709	116,566,380			
Total liabilities	6,042,174	7,081,834	3,767,398	5,453,657		1,127	866		1,608,829	-	11,419,528	12,536,357			
Capital expenditure	3,066,921	3,099,545	1,533,461	1,549,773		-	-		-	-	4,600,382	4,649,318			

Significantly all of the sales and profit of the Group are earned in the Kingdom of Bahrain from the above business segments.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

Transactions with related parties during the period are as follows:

	For the three-month period ended 30 September 2017 (Reviewed)				For the three-month period ended 30 September 2016 (Reviewed)			
	Purchases BD	Sales BD	Management fee income BD	Share of profit in associates BD	Purchases BD	Sales BD	Management fee income BD	Share of profit in an associate BD
Major shareholders and their affiliates	92,084	54,051	124,888	-	101,281	441,694	92,421	-
Associates	48,742	-	-	653,021	-	-	-	451,560
Other related parties	-	10,966	-	-	-	25,265	-	-
	140,826	65,017	124,888	653,021	101,281	466,959	92,421	451,560

	For the nine-month period ended 30 September 2017 (Reviewed)				For the nine-month period ended 30 September 2016 (Reviewed)			
	Purchases BD	Sales BD	Management fee income BD	Share of profit in associates BD	Purchases BD	Sales BD	Management fee income BD	Share of profit in an associate BD
Major shareholders and their affiliates	407,182	160,174	348,383	-	621,382	554,347	286,398	-
Associates (note 9)	65,066	-	-	1,560,041	-	-	-	539,933
Other related parties	-	57,949	-	-	-	67,277	-	-
	472,248	218,123	348,383	1,560,041	621,382	621,624	286,398	539,933

Gulf Hotels Group B.S.C.

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At 30 September 2017 (Reviewed)

14 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2017 (Reviewed)		31 December 2016 (Audited)	
	Receivables	Payables	Receivables	Payables
	BD	BD	BD	BD
Major shareholders and their affiliates	428,195	106,822	422,934	177,512
Other related parties	15,911	-	4,969	7,676
	444,106	106,822	427,903	185,188

Compensation of key management personnel

The remuneration of directors and members of key management during the period was as follows:

	Three-month period ended 30 September (Reviewed)		Nine-month period ended 30 September (Reviewed)	
	2017	2016	2017	2016
	BD	BD	BD	BD
Short-term benefits - senior executives	54,852	267,344	404,558	632,494
Post-employment benefits				
- senior executives	6,804	8,151	21,388	24,452
Short-term benefits - directors	70,000	68,950	210,000	218,450
	131,656	344,445	635,946	875,396

Outstanding balances at the period / year end arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the nine-month period ended 30 September 2017, the Group has not recorded any impairment of amounts owed by related parties (nine-month period ended 30 September 2016: nil).

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

	30 September 2017 Reviewed	31 December 2016 Audited
Number of shares	143,190,295	130,172,995
Percentage of holdings	63.36%	63.36%