

Gulf Hotels Group B.S.C.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**


31 MARCH 2017

Gulf Hotels Group B.S.C.


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

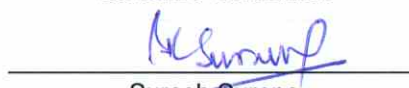
At 31 March 2017 (Reviewed)

	Note	31 March 2017 Reviewed BD	31 December 2016 Audited BD
ASSETS			
Non-current assets			
Property, plant and equipment	7	54,333,671	54,080,581
Investment properties		885,163	898,123
Investment in associates	8	8,936,856	9,559,941
Available-for-sale investments	9	13,662,720	13,339,623
		77,818,410	77,878,268
Current assets			
Inventories		3,913,159	3,524,440
Trade and other receivables		3,758,536	3,206,926
Cash and bank balances	11	31,352,266	31,956,746
		39,023,961	38,688,112
TOTAL ASSETS		116,842,371	116,566,380
EQUITY AND LIABILITIES			
Equity			
Share capital		22,599,487	20,544,988
Share premium		17,514,442	17,514,442
Treasury shares		(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		3,753,072	3,527,793
Proposed dividend		-	5,134,968
Retained earnings		43,324,631	42,068,586
Total equity		102,430,878	104,030,023
Non-current liability			
Employees' end of service benefits		2,134,539	2,370,003
Current liability			
Trade and other payables		12,276,954	10,166,354
Total liabilities		14,411,493	12,536,357
TOTAL EQUITY AND LIABILITIES		116,842,371	116,566,380


Farouk Yousuf Almoayyed
Chairman


Garfield Jones
Chief Executive Officer


Mohammed Hussain Yateem
Director & Chairman
Executive Committee


Suresh Surana
Chief Financial Officer

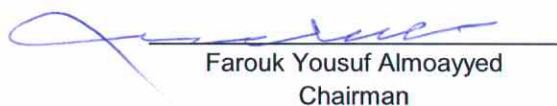
The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

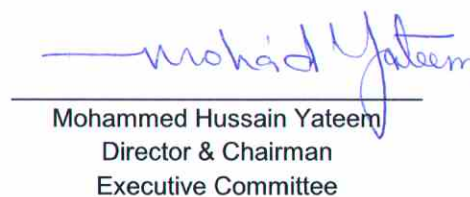
Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

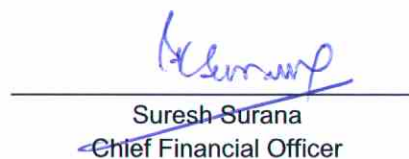
For the three-month period ended 31 March 2017 (Reviewed)

	Note	Three-month period ended 31 March	
		2017 BD	2016 BD
Gross operating revenue		9,342,787	8,578,352
Gross operating costs		(5,810,388)	(4,678,166)
GROSS OPERATING PROFIT		3,532,399	3,900,186
Net investment income:			
Share of profit (loss) from associates	8 & 13	482,562	(225,302)
Dividend income	6	524,347	136,676
Gain on trading investments		-	10,185
Impairment loss on available-for-sale investments	9	(23,274)	(93,809)
Interest income		158,657	73,150
Other income		238,027	158,334
		1,380,319	59,234
Depreciation		(1,151,540)	(788,743)
Charity reserve expense		(68,055)	(67,950)
General and administration expenses		(382,579)	(366,384)
PROFIT FOR THE PERIOD		3,310,544	2,736,343
BASIC AND DILUTED EARNINGS PER SHARE (IN FILS)	3	15	12


Farouk Yousuf Almoayyed
Chairman


Mohammed Hussain Yateem
Director & Chairman
Executive Committee


Garfield Jones
Chief Executive Officer


Suresh Surana
Chief Financial Officer

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2017 (Reviewed)

		<i>Three-month period ended 31 March</i>	
	<i>Note</i>	2017	2016
		BD	BD
Net profit for the period		3,310,544	2,736,343
Other comprehensive income (loss)			
Net movement in fair valuation of available-for-sale investments to be reclassified to consolidated statement of income in subsequent periods	9	230,926	(184,004)
Share of fair value reserve of associates	8	(5,647)	-
Other comprehensive income (loss) for the period		225,279	(184,004)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,535,823	2,552,339

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2017 (Reviewed)

	<i>Note</i>	<i>Share capital BD</i>	<i>Share premium BD</i>	<i>Treasury shares BD</i>	<i>Statutory reserve BD</i>	<i>General reserve BD</i>	<i>Available-for-sale investments reserve BD</i>	<i>Proposed dividend BD</i>	<i>Retained earnings BD</i>	<i>Total BD</i>
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		-	-	-	-	-	-	-	3,310,544	3,310,544
Other comprehensive income		-	-	-	-	-	225,279	-	-	225,279
Total comprehensive income		-	-	-	-	-	225,279	-	3,310,544	3,535,823
Issuance of bonus shares	4	2,054,499	-	-	-	-	-	-	(2,054,499)	-
Dividends declared	4	-	-	-	-	-	-	(5,134,968)	-	(5,134,968)
Balance at 31 March 2017		22,599,487	17,514,442	(33,248)	10,272,494	5,000,000	3,753,072	-	43,324,631	102,430,878
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		-	-	-	-	-	-	-	2,736,343	2,736,343
Other comprehensive loss		-	-	-	-	-	(184,004)	-	-	(184,004)
Total comprehensive (loss) income		-	-	-	-	-	(184,004)	-	2,736,343	2,552,339
Dividends declared	4	-	-	-	-	-	-	(5,208,163)	-	(5,208,163)
Balance at 31 March 2016		17,360,544	-	-	8,680,272	5,000,000	3,114,831	-	35,399,399	69,555,046

Retained earnings include non-distributable reserves amounting to BD 100,000 relating to the subsidiaries as at 31 March 2016 (31 December 2016: BD 100,000).

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2017 (Reviewed)

	Note	Three-month period ended 31 March	
		2017 BD	2016 BD
OPERATING ACTIVITIES			
Profit for the period		3,310,544	2,736,343
Adjustments for:			
Depreciation		1,151,540	788,743
Share of (profit) loss of associates	8 & 13	(482,562)	225,302
Dividend income	6	(524,347)	(136,676)
Interest income		(158,657)	(73,150)
Gain on trading investments		-	(10,185)
Impairment loss of available-for-sale investments	9	23,274	93,809
Provision for allowance for doubtful debts		4,640	3,300
Provision for (reversal of) allowance for slow moving inventories		4,543	(4,902)
Provision for employees' end of service benefits		44,244	32,950
Operating profit before working capital changes		3,373,219	3,655,534
Working capital changes:			
Inventories		(393,262)	293,605
Trade and other receivables		(639,165)	(49,329)
Trade and other payables		(625,585)	(1,325,171)
Net cash from operations		1,715,207	2,574,639
Directors' remuneration paid		(192,500)	(205,000)
Donations paid		(3,000)	(17,400)
Employees' end of service benefits paid		(279,708)	(8,467)
Net cash from operating activities		1,239,999	2,343,772
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,391,670)	(915,735)
Purchase of available-for-sale investments		(118,102)	-
Disposal of available-for-sale investments		2,657	-
Interest received		241,572	120,075
Dividend received from an associate	8	1,100,000	-
Dividend income received		524,347	136,676
Term deposits with a maturity of more than three months		106,421	1,237,943
Net cash from investing activities		465,225	578,959
FINANCING ACTIVITY			
Dividend paid and cash used in financing activity	4	(5,134,968)	(5,208,163)
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January	11	11,227,182	4,286,179
CASH AND CASH EQUIVALENTS AT 31 MARCH	11	7,797,438	2,000,747

Non-cash items:

Liabilities towards acquisition of property, plant and equipment to the extent of BD 772,920 (31 March 2016: BD 961,631) with a net decrease of BD 124,565 (31 March 2016: BD 620,396) were not settled as of the date of the interim consolidated statement of financial position.

Interest income of BD 106,845 (31 March 2016: BD 102,634) which has been accrued but is not yet due with a net increase of BD 82,915 (31 March 2016: net decrease of BD 46,925) has been excluded from the movement of trade and other receivables.

Unclaimed dividends pertaining to prior years amounting to BD 3,226,969 (31 March 2016: BD 2,135,286) with a net increase of BD 2,931,685 (31 March 2016: BD 1,985,448) have been excluded from the movement of trade and other payables.

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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 Court Manama, Asdal Gulf-inn Seef and Gulf Residence Amwaj, 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% 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 13.

Name of the subsidiary	Ownership interest	Date of incorporation	Activities
Gulf Hotels Management Company S.P.C.	100%	4 December 2002	Managing hotels and restaurants and providing catering services for aircraft, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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 three-month period ended 31 March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2017.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the three-month period ended 31 March 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 three-month period ended 31 March 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 Company'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 Company 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 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 31 March 2017 (Reviewed)

3 EARNINGS PER SHARE

	<i>Three-month period ended 31 March</i>	
	2017	2016 <i>(restated)</i>
Profit for the period – BD	3,310,544	2,736,343
Weighted average number of shares outstanding	225,938,597	225,938,597
Basic and diluted earnings per share – fils	15	12

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.

4 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 31 March 2017.

5 COMMITMENTS AND CONTINGENT LIABILITIES

	31 March	31 December
	2017	2016
	Reviewed	Audited
Letter of guarantees	64,000	171,000

Capital expenditure contracted for at the statement of financial position date but not provided for, relating to the Gulf Hotel, amounted to BD 7,804,162 (31 December 2016: BD 7,947,647).

6 SEASONALITY OF RESULTS

Dividend income of BD 524,347 during the three-month period ended 31 March 2017 is of a seasonal nature (three-month period ended 31 March 2016: BD 136,676).

7 PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended 31 March 2017, the Group incurred capital expenditure amounting to BD 1,391,670 (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 and district cooling system.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

8 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.

The movements in the carrying value of the investment are as follows:

31 March 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 13)*	471,969	10,593	482,562
Dividends received	(1,100,000)	-	(1,100,000)
Share in associates' cumulative changes in fair values	(5,647)	-	(5,647)
Carrying value	7,061,184	1,875,672	8,936,856
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	7,694,862	1,865,079	9,559,941
		BFLC	
		31 March 2017 Reviewed	31 December 2016 Audited
Fair value based on share price		848,400	858,500
Share price		0.084	0.085

*Based on the approved management accounts of African & Eastern (Bahrain) W.L.L. and BFLC for the three-month period ended 31 March 2017, the Group has recognised a profit of BD 471,969 and BD 10,593 representing their 33.33% and 28.06% share, respectively (three-month period ended 31 March 2016: loss of BD 225,302 by BFLC).

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

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

9 AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2017 Reviewed BD	<i>31 December 2016 Audited BD</i>
Equity investments:		
Quoted investments originally trading investments (at fair value)*	5,876,914	6,084,385
Quoted investments (at fair value)	6,872,535	6,334,251
Unquoted investments (at cost less impairment)	771,866	771,865
	13,521,315	13,190,501
Managed funds:		
At fair value	141,004	148,721
At cost	401	401
	141,405	149,122
	13,662,720	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 31 March 2017, the cumulative impairment provision on unquoted investments amounted to BD 148,566 (31 December 2016: BD 148,566). No impairment provision was provided for the three-month period ended 31 March 2017 and 31 March 2016.

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

	31 March 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	118,102	-	-	118,102
Disposals during the period			(2,657)	(2,657)
Fair value gain (loss) on available-for-sale investments - net	235,985	-	(5,059)	230,926
Impairment	(23,274)	-	-	(23,274)
Closing balance (note 10)	12,749,449	771,866	141,405	13,662,720

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

9 AVAILABLE-FOR-SALE INVESTMENTS (continued)

	31 December 2016			Total BD
	Quoted investments BD	Unquoted investments BD	Managed funds 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 10)	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 31 March 2017 (31 December 2016: BD 1,153,072).

As at 31 March 2017 the carrying and fair value of reclassified investments is BD 1,512,698 (31 December 2016: BD 1,594,880). During the three-month period ended 31 March 2017, the Group has not recognised any fair value adjustments (three-month period ended 31 March 2016: nil) in the interim consolidated statement of income and recognised a fair value loss of BD 82,182 (three-month period ended 31 March 2016: BD 221,374) 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 82,182 for the period (three-month period ended 31 March 2016: BD 221,374) in the interim consolidated statement of income.

Fair value hierarchy of financial instruments are disclosed in note 10.

10 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, available-for-sale investments and trading investments. Financial liabilities consist of trade and other payables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

10 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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:

	31 March 2017		31 December 2016	
	Reviewed		Audited	
	Carrying amount	Fair value	Carrying amount	Fair value
	BD	BD	BD	BD
Financial assets:				
Quoted available-for-sale investments (note 9)	12,749,449	12,749,449	12,418,636	12,418,636
Managed funds (note 9)	141,004	141,004	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 and trading investments are based on price quotations at the reporting date.

Fair value hierarchy

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

	31 March 2017	31 December 2016
	Reviewed	Audited
	BD	BD
Available-for-sale investments (Level 1)	12,749,449	12,418,636
Managed funds available-for-sale investments (Level 2)	141,004	148,721
	12,890,453	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.

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At 31 March 2017 (Reviewed)

11 CASH AND BANK BALANCES

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

	31 March 2017 Reviewed BD	<i>31 December 2016 Audited BD</i>	<i>31 March 2016 Reviewed BD</i>
Cash on hand, bank balances and term deposits	31,352,266	31,956,746	20,467,993
Term deposits with an original maturity of more than three months	(20,327,859)	(20,434,280)	(16,331,960)
Bank balances representing unclaimed dividends	(3,226,969)	(295,284)	(2,135,286)
Cash and cash equivalents as per interim consolidated statement of cash flows	7,797,438	11,227,182	2,000,747

12 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 and the retail sales of food and beverages of the Gulf Hotel and the convention operations of the Gulf Convention Center 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.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

12 SEGMENT INFORMATION (continued)

<i>Three-month ended 31 March</i>	<i>Hotel room operations</i>		<i>Food and beverage</i>		<i>Commercial activities</i>		<i>Investment and other activities</i>		<i>Consolidated</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Gross operating revenue	3,219,969	2,126,132	6,122,818	6,442,590	-	9,630	-	-	9,342,787	8,578,352
Gross operating costs	(2,059,865)	(1,001,192)	(3,750,523)	(3,674,421)	-	(2,553)	-	-	(5,810,388)	(4,678,166)
Gross operating profit	1,160,104	1,124,940	2,372,295	2,768,169	-	7,077	-	-	3,532,399	3,900,186
Investment income (loss)	-	-	-	-	-	-	983,635	(172,250)	983,635	(172,250)
Interest income	-	-	-	-	-	-	158,657	73,150	158,657	73,150
Other income	44,473	42,237	19,546	17,733	-	200	174,008	98,164	238,027	158,334
Depreciation	(835,932)	(501,215)	(302,648)	(287,507)	-	(21)	(12,960)	-	(1,151,540)	(788,743)
Charity reserve expense	-	-	-	-	-	-	(68,055)	(67,950)	(68,055)	(67,950)
Other expenses	(11,012)	(11,173)	(5,159)	(5,587)	(132)	(3,710)	(366,276)	(345,914)	(382,579)	(366,384)
Segment profit (loss) for the period	357,633	654,789	2,084,034	2,492,808	(132)	3,546	869,009	(414,800)	3,310,544	2,736,343

	<i>Hotel room operations</i>		<i>Food and beverage</i>		<i>Commercial activities</i>		<i>Investment and other activities</i>		<i>Consolidated</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Total assets	63,156,554	62,476,604	30,024,294	30,153,802	57,987	57,681	23,603,536	23,878,293	116,842,371	116,566,380
Total liabilities	8,016,932	7,081,834	6,393,608	5,453,657	953	866	-	-	14,411,493	12,536,357
Capital expenditure	927,780	3,099,545	463,890	1,549,773	-	-	-	-	1,391,670	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.

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At 31 March 2017 (Reviewed)

13 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.

Transaction with related parties during the period are as follows:

	<i>For the three-month period ended 31 March 2017</i>				<i>For the three-month period ended 31 March 2016</i>			
	<i>Purchases</i>	<i>Sales</i>	<i>Management</i>	<i>Share of</i>	<i>Purchases</i>	<i>Sales</i>	<i>Management</i>	<i>Share of</i>
	<i>BD</i>	<i>BD</i>	<i>fee income</i>	<i>profit from</i>	<i>BD</i>	<i>BD</i>	<i>fee income</i>	<i>loss from</i>
			<i>BD</i>	<i>associates</i>			<i>BD</i>	<i>an associate</i>
				<i>BD</i>				<i>BD</i>
Major shareholders and their affiliates	190,326	34,306	120,234	-	416,551	112,253	98,164	-
Associates (note 8)	26,123	-	-	482,562	-	-	-	(225,302)
Other related parties	-	33,137	-	-	-	10,699	-	-
	216,449	67,443	120,234	482,562	416,551	122,952	98,164	(225,302)

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

	<i>31 March 2017</i>				<i>31 December 2016</i>			
	<i>Trade</i>	<i>Other</i>	<i>Trade</i>	<i>Other</i>	<i>Trade</i>	<i>Other</i>	<i>Trade</i>	<i>Other</i>
	<i>receivables</i>	<i>receivables</i>	<i>payables</i>	<i>payables</i>	<i>receivables</i>	<i>receivables</i>	<i>payables</i>	<i>payables</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Major shareholders and their affiliates	449,796	411,193	128,525	16,807	422,934	322,219	177,512	16,807
Other related parties	29,068	-	-	-	4,969	-	-	-
	478,864	411,193	128,525	16,807	427,903	322,219	177,512	16,807

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2017 (Reviewed)

13 RELATED PARTY TRANSACTIONS (continued)**Compensation of key management personnel**

Key management personnel are those persons having responsibility for planning, directing and controlling the activities of the Group. The remuneration of directors and members of key management during the period were as follows:

	<i>Three-month period ended</i>	
	<i>31 March</i>	
	2017	<i>2016</i>
	BD	<i>BD</i>
Short-term benefits - senior executives	131,547	170,635
Post employment benefits - senior executives	6,890	8,025
Short-term benefits - directors	69,999	63,750
	208,436	242,410

Outstanding balances at the period 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 three-month period ended 31 March 2017, the Group has not recorded any impairment of amounts owed by related parties (three-month period ended 31 March 2016: nil and year ended 31 December 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:

	31 March	<i>31 December</i>
	2017	<i>2016</i>
	No. of shares	<i>No. of shares</i>
No of shares	143,190,295	130,172,995
Percentage of holdings	63.36%	63.36%