

Gulf Hotels Group B.S.C.

INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2016 (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 June 2016, comprising of the interim consolidated statement of financial position as at 30 June 2016 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. The 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. Consequently, it 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.



Ernst & Young

4 August 2016
Manama, Kingdom of Bahrain

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 (Reviewed)

	Note	30 June 2016 Reviewed	31 December 2015 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	53,493,474	45,223,142
Investment property		494,515	
Investment in associates	9	8,819,131	1,821,415
Available-for-sale investments	10	12,048,874	7,093,780
		74,855,994	54,138,337
Current assets			
Trading investments	11	587,412	570,350
Inventories		3,461,584	3,187,651
Trade and other receivables		3,286,465	2,600,631
Cash and bank balances	12	27,841,303	22,005,920
		35,176,764	28,364,552
TOTAL ASSETS		110,032,758	82,502,889
EQUITY AND LIABILITIES			
Equity			
Share capital	4	20,544,988	17,360,544
Share premium	4	17,514,442	-
Treasury shares	4	(33,248)	-
Statutory reserve		8,680,272	8,680,272
General reserve		5,000,000	5,000,000
Available-for-sale investments reserve		3,312,214	3,298,835
Proposed dividend		-	5,208,163
Retained earnings		42,116,630	32,663,056
Total equity		97,135,298	72,210,870
Non-current liability			
Employees' end of service benefits		2,508,201	1,985,766
Current liability			
Trade and other payables		10,389,259	8,306,253
Total liabilities		12,897,460	10,292,019
TOTAL EQUITY AND LIABILITIES		110,032,758	82,502,889

Farouk Yousuf Almoayyed

Chairman

Aqeel Rases
Chief Executive Officer & Director

Mohammed Hussain Yateem

Director & Chairman
Executive Committee

Suresh Surana
Chief Financial Officer

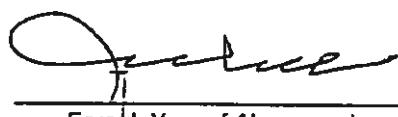
The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

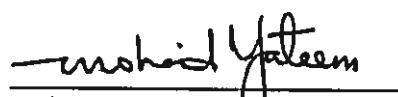
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six-month period ended 30 June 2016 (Reviewed)

Note	Three-month period ended 30 June		Six-month period ended 30 June	
	2016 BD	2015 BD	2016 BD	2015 BD
Gross operating revenue	7,803,926	8,315,440	16,382,278	17,110,665
Operating costs	(4,893,314)	(4,710,496)	(9,571,480)	(9,753,139)
GROSS OPERATING PROFIT	2,910,612	3,604,944	6,810,798	7,357,526
Net investment income:				
Share of profits (loss) from associates	9 & 14	313,675	(39,065)	88,373
Dividend income	7	185,590	126,104	322,266
Gain (loss) on trading investments		6,877	6,384	17,062
Impairment loss on available-for -sale investments	10	(30,390)	(9,403)	(124,199)
Interest income		85,988	57,780	159,138
Other income		166,242	312,154	324,576
Total income	3,638,594	4,058,898	7,598,014	8,328,823
Depreciation		(895,490)	(764,029)	(1,684,233)
Charity reserve expense		(67,950)	(71,130)	(135,900)
General and administration expenses		(924,866)	(325,570)	(1,291,250)
Total expenses	(1,888,306)	(1,160,729)	(3,111,383)	(2,318,941)
PROFIT FOR THE PERIOD BEFORE GAIN ON BARGAIN PURCHASE	1,750,288	2,898,169	4,486,631	6,009,882
GAIN ON BARGAIN PURCHASE	3	4,966,943	-	4,966,943
PROFIT FOR THE PERIOD	6,717,231	2,898,169	9,453,574	6,009,882
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	4	36	17	53



Farouk Yousuf Almoayyed
Chairman



Mohammed Hussein Yateem
Director & Chairman
Executive Committee



Aqeel Raees
Chief Executive Officer
& Director



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 six-month period ended 30 June 2016 (Reviewed)

Note	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	2016 BD	2015 BD	2016 BD	2015 BD
Profit for the period	6,717,231	2,898,169	9,453,574	6,009,882
Other comprehensive income (loss)				
Net movement in fair valuation of available-for-sale investments to be reclassified to profit or loss in subsequent periods	10	146,058	(20,094)	(37,946)
Share of fair value reserve of associates	9	51,325	-	51,325
Other comprehensive income (loss) for the period		197,383	(20,094)	13,379
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,914,614	2,878,075	9,466,953
				6,222,949

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 six-month period ended 30 June 2016 (Reviewed)

	Note	Six-month period ended 30 June	
		2016 BD	2015 BD
OPERATING ACTIVITIES			
Profit for the period		9,453,574	6,009,882
Adjustments for:			
Gain on bargain purchase	3	(4,966,943)	-
Depreciation		1,684,233	1,521,870
Share of profits from associates	9 & 14	(88,373)	(104,326)
Dividend income	7	(322,266)	(308,816)
Interest income		(159,138)	(126,193)
(Gain) loss on trading investments		(17,062)	2,576
Impairment loss of available-for-sale investments	10	124,199	51,405
Provision for doubtful debts		9,600	9,600
Provision for slow moving inventories		2,400	2,400
Provision for employees' end of service benefits		102,002	92,452
Operating profit before working capital changes		5,822,226	7,150,850
Working capital changes:			
Inventories		(198,911)	(514,560)
Trade and other receivables		(76,326)	(128,301)
Trade and other payables		(865,648)	(935,385)
Net cash from operations		4,681,341	5,572,604
Directors' remuneration paid		(205,000)	(180,000)
Donations paid		(39,019)	(27,382)
Employees' end of service benefits paid		(62,025)	(74,193)
Net cash flows from operating activities		4,375,297	5,291,029
INVESTING ACTIVITIES			
Cash flow arising on acquisition of a subsidiary	3	8,317,126	-
Purchase of property, plant and equipment		(2,033,688)	(2,542,827)
Purchase of available-for-sale investments		(230,032)	-
Net movement of cash held for investment trading		-	(225)
Dividend income received		322,266	308,816
Interest received		84,071	163,933
Term deposits with a maturity of more than three months		(5,427,110)	5,041,184
Net cash flows from investing activities		1,032,633	2,970,881
FINANCING ACTIVITY			
Dividends	5	(5,208,163)	(6,613,540)
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January	12	4,286,179	2,261,145
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	4,485,946	3,909,515

Non-cash items:

(i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 886,833 (30 June 2015: BD 1,151,085) with a net decrease of BD 695,194 (30 June 2015: increase of BD 138,690) were not settled as of the date of the interim consolidated statement of financial position.

(ii) Interest income of BD 130,776 (30 June 2015: BD 102,448) which has been accrued but is not yet due with a net decrease of BD 75,067 (30 June 2015: increase of BD 37,740) has been excluded from the movement in trade and other receivables.

(iii) Unclaimed dividends pertaining to prior years amounting to BD 358,344 (30 June 2015: BD 327,993) with a net increase of BD 208,506 (30 June 2015: BD 133,251) have been excluded from the movement in trade and other payables.

(iv) Net effect of assets and liabilities acquired through share swap business combination with net amount of BD 25,665,829 as summarised in note 3 were excluded from the interim consolidated statement of cashflows (30 June 2015: nil).

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 six-month period ended 30 June 2016 (Reviewed)

		Share capital BD	Treasury shares BD	Share premium BD	Statutory reserve BD	General reserve BD	Investments reserve BD	Proposed dividend BD	Retained earnings BD	Total equity BD
Note										
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	-	-	-	-	-	-	-	-	9,453,574	9,453,574
Other comprehensive income	-	-	-	-	-	13,379	-	-	-	13,379
Total comprehensive income	-	-	-	-	-	13,379	-	-	9,453,574	9,466,953
Dividends declared	5	-	-	-	-	-	(5,208,163)	-	-	(5,208,163)
Share issued on acquisition of a subsidiary	3 & 4	3,184,444	-	17,514,442	-	-	-	-	-	20,698,886
Acquisition of treasury shares	4	-	(33,248)	-	-	-	-	-	-	(33,248)
Balance at 30 June 2016 (reviewed)	20,544,988	(33,248)	17,514,442	8,680,272	5,000,000	3,312,214	-	42,116,630	97,135,298	
Balance at 1 January 2015	16,533,851	-	-	8,266,926	5,000,000	3,157,241	6,613,540	29,914,169	69,485,727	
Profit for the period	-	-	-	-	-	-	-	6,009,882	6,009,882	
Other comprehensive income	-	-	-	-	-	213,067	-	-	-	213,067
Total comprehensive income	-	-	-	-	-	213,067	-	6,009,882	6,222,949	
Issue of bonus shares	5	826,693	-	-	-	-	-	(826,693)	-	
Dividends declared	5	-	-	-	-	-	(6,613,540)	-	(6,613,540)	
Balance at 30 June 2015 (reviewed)	17,360,544	-	-	8,266,926	5,000,000	3,370,308	-	35,097,358	69,095,136	
Available-for-sale investments										

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (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 and Commerce 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.

During the period the Company acquired 100% stake in Bahrain Tourism Company B.S.C. (c) ("BTC"), a company established in the Kingdom of Bahrain, through an exchange of shares as explained in more detail in note 3. 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. Legal formalities in relation to the share exchange is in progress.

The Company has control over the below entities. Information on related party relationships of the Group is provided in note 14.

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 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 B.S.C.	100%	31 May 2016	Building and investing in hotels and other tourism projects.

Name of associate	Ownership interest	Country of incorporation	Activities
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.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

1 GROUP INFORMATION (continued)

Name of associate	Ownership interest	Country of incorporation	Activities
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 six-month period ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 4 August 2016.

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated 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 2015. In addition, results for the six-month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015 except for the adoption of a policy on business combinations and the adoption of new standards and amendments to standards effective as of 1 January 2016.

The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments did not have any impact on the Group's interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Annual Improvements 2012-2014 Cycle: IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment did not have any impact on the Group's interim condensed consolidated financial statements.

The following other new standards and amendments apply for the first time in 2016. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

- *IFRS 14 - Regulatory Deferral Accounts;*
- *IFRS 11 - Joint Arrangements;*
- *IAS 16 and IAS 41 - Property, plant and equipment and Agriculture;*
- *IAS 1 - Presentation of Financial Statements; and*
- *IFRS 10, IFRS 12 and IAS 28 - Consolidated Financial Statements, Disclosure of Interest in other Entities and Investments in Associates and Joint Ventures.*

Annual Improvements 2012 - 2014 Cycle

- *IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;*
- *IFRS 7 - Financial Instruments: Disclosures;*
- *IAS 19 - Employee Benefits; and*
- *IAS 34 - Interim Financial Reporting.*

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39, is remeasured at each reporting date, at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as "gain on bargain purchase".

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

2 ACCOUNTING POLICIES (continued)

Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

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 provisional fair values of the identifiable assets and liabilities of BTC as of 31 May 2016 and the resulting impact due to the acquisition are as follows:

	Fair value BD	Carrying value BD
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 property	498,835	928,363
Property and equipment	8,611,751	15,675,458
	<hr/> 29,827,648	<hr/> 37,332,280
Less: Liabilities assumed		
Trade payables	462,331	462,331
Accrued expenses and other payables	2,779,484	779,484
Dividend payable	437,546	437,546
Provision for employees' leaving indemnities	482,458	482,458
	<hr/> 4,161,819	<hr/> 2,161,819
Net assets	<hr/> 25,665,829	<hr/> 35,170,461

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

5 DIVIDENDS

At the annual general meeting of the shareholders held on 17 February 2016, the shareholders of the Company resolved to distribute a cash dividend of 30 fils per share totaling BD 5,208,163 for the year 2015 (2015: 40 fils per share totaling BD 6,613,540 for the year 2014) and no bonus shares (2015: 8,266,930 shares with a nominal value BD 826,693 representing 5% of the issued and paid-up share capital before such bonus shares were issued). Dividends payable are included within trade and other payables in the interim consolidated statement of financial position as at 30 June 2016.

6 COMMITMENTS

Capital expenditure contracted for at the statement of financial position date but not provided for, relating to the Gulf Hotel, amounted to BD 10,116,900 (31 December 2015: BD 11,502,205).

7 SEASONALITY OF RESULTS

Dividend income of BD 322,266 during the six-month period ended 30 June 2016 is of a seasonal nature (six-month period ended 30 June 2015: BD 308,816).

8 PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2016, the Group incurred capital expenditure amounting to BD 10,078,937 (year ended 31 December 2015: BD 7,333,967) on its various capital expenditure projects including the upgrade of information technology systems, SPA project, district cooling system and Gulf Residence Juffair 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 June 2016 (Reviewed)	African & Eastern BD	BFLC BD	Total BD
Balance at 1 January	-	1,821,415	1,821,415
Purchases during the period	6,858,018	-	6,858,018
Share of profit during the period (note 14)*	37,173	51,200	88,373
Share in associates' cumulative changes in fair values	51,325	-	51,325
Carrying value	<u>6,946,516</u>	<u>1,872,615</u>	<u>8,819,131</u>

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

9 INVESTMENT IN ASSOCIATES (continued)

	31 December 2015 (Audited)	BFLC BD
Balance at 1 January	2,120,508	
Share of loss during the year	(299,093)	
Carrying value	1,821,415	

	BFLC	
	30 June 2016	31 December 2015
	<i>Reviewed</i>	<i>Audited</i>
Fair value based on share price	1,171,600	1,171,600
Share price	0.116	0.116

*Based on the approved management accounts of African & Eastern (Bahrain) W.L.L. and BFLC for the six-month period ended 30 June 2016, the Group has recognised a profit of BD 37,173 and BD 51,200 representing their 33.33% and 28.06% share, respectively (six month ended 30 June 2015: nil and BD 104,326, respectively).

The associates had no contingent liabilities or capital commitments as at 30 June 2016 (31 December 2015: none).

10 AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016	31 December 2015
	<i>Reviewed</i>	<i>Audited</i>
	<i>BD</i>	<i>BD</i>
Quoted investments (at fair value)*	9,803,290	4,861,483
Quoted investments originally		
trading investments (at fair value)**	1,365,138	1,646,231
Unquoted investments (at cost less impairment)	771,866	586,066
	11,940,294	7,093,780
Managed funds:		
At fair value	140,917	-
At cost	400	-
	141,317	-
	12,081,611	7,093,780

*Quoted investments (at fair value) includes an amount of BD 220,149 which represents Basel III compliant Additional Tier 1 Convertible Perpetual Capital Securities denominated in Bahraini Dinar issued by a commercial bank in the Kingdom of Bahrain during the six-month period ended 30 June 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.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

10 AVAILABLE-FOR-SELL INVESTMENTS (continued)

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

	30 June 2016			
	Quoted investments BD	Unquoted investments BD	Managed funds BD	Total BD
Opening balance	6,507,714	586,066	-	7,093,780
Purchases during the period	4,780,425	194,133	142,681	5,117,239
Fair value gain on available-for-sale investments - net	(36,582)	-	(1,364)	(37,946)
Impairment	(115,866)	(8,333)	-	(124,199)
Closing balance (note 11)	11,135,691	771,866	141,317	12,048,874

	31 December 2015		
	Quoted equity investments BD	Unquoted equity investments BD	Total BD
Opening balance	6,601,213	586,066	7,187,279
Fair value gain on available-for-sale investments - net	141,594	-	141,594
Impairment	(235,093)	-	(235,093)
Closing balance (note 11)	6,507,714	586,066	7,093,780

**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 the 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 the reclassified investments is BD 1,153,072 as of 30 June 2016 (31 December 2015: BD 1,153,072).

As at 30 June 2016 the carrying and fair value of reclassified investments is BD 1,365,138 (31 December 2015: BD 1,688,002). During the six-month period ended 30 June 2016, the Group has not recognised any fair value adjustments in the interim consolidated statement of income (six-month period ended 30 June 2015: same) and a fair value loss of BD 281,084 (six-month period ended 30 June 2015: fair value loss of BD 36,696) 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 281,084 for the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: fair value loss of BD 36,696) in the interim consolidated statement of income.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

10 AVAILABLE-FOR-SELL INVESTMENTS (continued)

The unquoted equity 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 June 2016, the cumulative impairment provision on unquoted equity investments amounted to BD 140,233 (31 December 2015: BD 140,233). There was no impairment provision provided for the six-month period ended 30 June 2016 and six-month period ended 30 June 2015.

The Company intends to exit managed funds on maturity.

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

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, available-for-sale investments and trading 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 June 2016		31 December 2015	
	Reviewed		Audited	
	Carrying amount BD	Fair value BD	Carrying amount BD	Fair value BD
Financial assets:				
<i>Available-for-sale investments:</i>				
Quoted available-for-sale investments (note 10)	11,135,691	11,135,691	6,507,714	6,507,714
Managed funds (note 10)	140,917	140,917	-	-
<i>Trading investments</i>	587,412	587,412	570,350	570,350

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.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

	30 June 2016 Reviewed BD	31 December 2015 Audited BD
Available-for-sale investments (Level 1)	11,135,691	6,507,714
Trading investments (Level 1)	587,412	570,350
	<hr/>	<hr/>
	11,723,103	7,078,064
Managed funds available-for-sale investments (Level 2)	140,917	-
	<hr/>	<hr/>
	11,864,020	7,078,064
	<hr/>	<hr/>

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:

- a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- c) 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.

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 June 2016 Reviewed BD	31 December 2015 Audited BD	30 June 2015 Reviewed BD
Cash on hand, bank balances and term deposits	27,841,303	22,005,920	19,216,663
Term deposits with an original maturity of more than three months	(22,997,013)	(17,569,903)	(14,979,155)
Bank balances representing unclaimed dividends	(358,344)	(149,838)	(327,993)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents as per interim consolidated statement of cash flows	4,485,946	4,286,179	3,909,515
	<hr/>	<hr/>	<hr/>

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

13 SEGMENT INFORMATION

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

Hotel operations	- Hotel room and rental and management of executive apartments and offices.
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 and provision of automatic laundry services.
Investments and other activities	- Investment activities of the Group.
Bahrain Tourism Company B.S.C.	- Includes the entire operations of BTC.

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. Group financing (including finance costs and finance revenue) are managed on a group basis and are not allocated to operating segments.

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.

13 SEGMENT INFORMATION (continued)

Three-month ended 30 June	Hotel room operations						Food and beverage						Commercial activities						Investment and other activities						Bahrain Tourism Company B.S.C.						Consolidated								
	2016		2015		2016		2015		2016		2015		2016		2015		2016		2015		2016		2015		2016		2015		2016		2015								
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD								
Gross operating revenue	2,052,631	2,261,502	5,468,912	6,016,938	3,324	37,000	2,395	10,807	-	-	4,966,943	84,020	28,840	7,303,926	-	2,910,612	3,604,944	-	4,966,943	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-							
Gross operating costs	(443,671)	(479,220)	(4,105,710)	(4,205,083)	(929)	(26,193)	(929)	(343,004)	-	-	(446,912)	57,337	8,940	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-						
Gross operating profit	1,608,960	1,782,282	1,363,202	1,811,855	-	-	-	-	-	-	4,966,943	84,020	28,840	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-						
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	-	76,174	223,179	9,540	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-					
Investment income - net	-	-	874	443	-	-	-	-	-	-	(200)	(21)	(330)	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-					
Interest income	37,472	69,075	16,081	19,900	-	-	-	-	-	-	(275,074)	-	-	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-					
Other income	(500,282)	(488,625)	-	-	-	-	-	-	-	-	(10,958)	(10,958)	(704,952)	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-					
Depreciation	-	-	-	-	-	-	-	-	-	-	(2,893)	(2,893)	(328,406)	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-					
Charity reserve expense	(10,782)	9,196	(5,390)	-	-	-	-	-	-	-	(719)	(481)	(4,820,476)	(35,000)	(327,414)	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-					
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-						
Segment profit (loss) for the period	1,135,368	1,371,928	1,089,520	1,561,722	-	-	-	-	-	-	(719)	(481)	(4,820,476)	(35,000)	(327,414)	-	-	-	-	475,752	84,020	-	-	-	-	-	-	-	-	-	-	-	-	-					
Six-month ended 30 June	Hotel room operations						Food and beverage						Commercial activities						Investment and other activities						Bahrain Tourism Company B.S.C.						Consolidated								
	2016		2015		2016		2015		2016		2015		2016		2015		2016		2015		2016		2015		2016		2015		2016		2015								
	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD	BD								
Gross operating revenue	4,178,763	4,409,713	11,911,502	12,653,601	12,954	47,351	-	-	-	-	279,059	-	-	(343,004)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Gross operating costs	(1,444,863)	(1,437,424)	(7,780,131)	(8,280,434)	(3,482)	(35,281)	-	-	-	-	(343,004)	-	-	(63,945)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Gross operating profit	2,733,900	2,972,289	4,131,371	4,373,167	9,472	12,070	-	-	-	-	4,966,943	-	-	(63,945)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	-	(274,662)	359,161	28,840	-	-	-	-	-	-	4,966,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Investment income - net	-	-	874	1,111	-	-	-	-	-	-	149,324	125,082	8,940	-	-	-	-	-	-	4,966,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Interest income	79,709	125,299	33,814	29,537	-	-	-	-	-	-	201,513	331,107	9,540	-	-	-	-	-	-	4,966,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other income	(1,001,497)	(973,097)	(572,754)	(548,174)	(42)	(599)	-	-	-	-	(135,900)	(142,260)	(109,940)	-	-	-	-	-	-	4,966,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	(1,050,866)	(625,639)	(200,849)	-	-	-	-	-	-	4,966,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charity reserve expense	(21,955)	(5,279)	(10,977)	(2,640)	(6,603)	(21,253)	-	-	-	-	(1,050,866)	(625,639)	(200,849)	-	-	-	-	-	-	4,966,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Segment profit (loss) for the period	1,790,157	2,119,212	3,582,328	3,853,001	2,827	(9,782)	4,405,676	47,451	(327,414)	-	-	9,453,574	6,039,882	-	-	-	-	-	-	4,966,943	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

13 SEGMENT INFORMATION (continued)

		<i>Hotel room operations</i>		<i>Food and beverage</i>		<i>Commercial activities</i>		<i>Investment and other activities</i>		<i>Bahrain Tourism Company B.S.C.</i>		<i>Consolidated</i>
		<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</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>	<i>BD</i>
Total assets		43,516,446	44,659,494	26,885,168	28,176,380	63,456	66,521	10,030,530	9,600,494	29,537,158	-	110,032,758
Total liabilities		5,189,681	5,482,480	3,532,659	4,795,051	8,595	14,488	-	-	4,166,525	-	12,897,460
Capital expenditure		978,901	4,889,311	489,450	2,444,656	-	-	9,110,586	-	-	-	10,578,937
												7,333,967

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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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2016 (Reviewed)

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:

<i>For the three-month period ended 30 June 2016 (Reviewed)</i>						<i>For the three-month period ended 30 June 2015 (Reviewed)</i>					
			<i>Management fee income BD</i>			<i>Share of profit in associates BD</i>			<i>Management fee income BD</i>		
<i>Purchases BD</i>	<i>Sales BD</i>	<i>Purchases BD</i>	<i>Purchases BD</i>	<i>Purchases BD</i>	<i>Purchases BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Share of loss in an associate BD</i>
Major shareholders and their affiliates											
Associates	103,550	400	95,813	-	313,675	335,930	127,926	75,762	-	-	(39,065)
Other related parties	-	784	-	-	-	-	-	-	7,386	-	-
	103,550	32,497	95,813	313,675	335,930	135,312	75,762	75,762	(39,065)		
<i>For the six-month period ended 30 June 2016 (Reviewed)</i>						<i>For the six-month period ended 30 June 2015 (Reviewed)</i>					
			<i>Management fee income BD</i>			<i>Share of profit in associates BD</i>			<i>Management fee income BD</i>		
<i>Purchases BD</i>	<i>Sales BD</i>	<i>Purchases BD</i>	<i>Purchases BD</i>	<i>Purchases BD</i>	<i>Purchases BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Sales BD</i>	<i>Share of profit in an associate BD</i>
Major shareholders and their affiliates											
Associates	520,101	112,653	193,977	-	88,373	644,933	326,238	171,185	-	-	-
Other related parties	54,465	784	-	-	-	-	-	-	18,357	-	104,326
	574,566	155,449	193,977	88,373	644,933	344,595	171,185	171,185	-	-	104,326

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2016 (Reviewed)

14 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2016 (Reviewed)		31 December 2015 (Audited)	
	Receivables BD	Payables BD	Receivables BD	Payables BD
Major shareholders and their affiliates	529,538	123,465	563,707	87,009
Other related parties	4,235	-	9,734	-
	533,773	123,465	573,441	87,009

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 June (Reviewed)		Six-month period ended 30 June (Reviewed)	
	2016 BD	2015 BD	2016 BD	2015 BD
Short-term benefits - senior executives	194,515	149,163	365,150	292,406
Post-employment benefits - senior executives	8,276	6,145	16,301	12,065
Short-term benefits - directors	85,750	77,350	149,500	141,100
	288,541	232,658	530,951	445,571

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 six-month period ended 30 June 2016, the Group has not recorded any impairment of amounts owed by related parties (six-month period ended 30 June 2015: 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 June 2016 Reviewed	31 December 2015 Audited
Number of shares	134,303,813	102,488,086
Percentage of holdings	65.37%	59.04%