

**Gulf Hotels Group B.S.C.**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

**30 June 2018**

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## Independent auditors' report on review of condensed consolidated interim financial information

**The Board of Directors**  
**Gulf Hotels Group BSC**  
Manama, Kingdom of Bahrain

18 July 2018

### Introduction

We have reviewed the accompanying 30 June 2018 condensed consolidated interim financial information of Gulf Hotels Group BSC (the "Company") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2018;
- the condensed consolidated statement of profit or loss for the three-month and six-month period ended 30 June 2018;
- the condensed consolidated statement of comprehensive income for the three-month and six-month period ended 30 June 2018;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2018; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 30 June 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

### Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2017, excluding the retrospective adjustments described in Note 4c to the condensed consolidated interim financial information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 18 February 2018. The condensed consolidated interim financial information of the Group as at and for the six months ended 30 June 2017, excluding the retrospective adjustments described in Note 4c to the condensed consolidated interim financial information, were reviewed by the same auditor who expressed an unmodified conclusion on that condensed consolidated interim financial information on 19 July 2017.

As part of our review of the condensed consolidated interim financial information as at and for the six months ended 30 June 2018, we also reviewed the retrospective adjustments described in Note 4c to the condensed consolidated interim financial information that were applied for the restatement.

We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended 31 December 2017 or the condensed consolidated interim financial information for six months ended 30 June 2017, other than with respect to the retrospective adjustments described in Note 4c. Accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended 31 December 2017 or on the condensed consolidated interim financial information for six months ended 30 June 2017. However, in conclusion, the retrospective adjustments described in Note 4c to the condensed consolidated interim financial information are appropriate and have been properly applied.

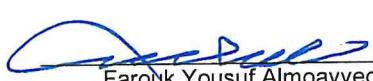
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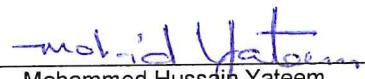
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**For the six months ended 30 June 2018**

Bahraini Dinars

	note	30 June 2018 (reviewed)	31 December 2017 (audited and Restated)
<b>ASSETS</b>			
Property, plant and equipment	6	63,315,412	56,862,035
Investment properties		821,974	846,282
Investment in associates	7	9,195,096	9,910,532
Investment securities		13,587,430	12,493,482
<b>Total non-current assets</b>		<b>86,919,912</b>	<b>80,112,331</b>
Inventories		3,466,677	3,531,672
Trade receivables		1,526,125	1,547,001
Other assets	8	24,957,889	1,591,122
Cash and bank balances		4,868,712	34,185,869
<b>Total current assets</b>		<b>34,819,403</b>	<b>40,855,664</b>
<b>Total assets</b>		<b>121,739,315</b>	<b>120,967,995</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		22,599,487	22,599,487
Share premium		17,514,442	17,514,442
Treasury shares		(33,248)	(33,248)
Other reserves		23,138,868	28,441,823
Retained earnings		47,867,569	43,246,229
<b>Total equity</b>		<b>111,087,118</b>	<b>111,768,733</b>
<b>Liabilities</b>			
Employees' end of service benefits		2,105,906	2,064,155
<b>Total non-current liabilities</b>		<b>2,105,906</b>	<b>2,064,155</b>
Trade payables		2,788,089	2,031,330
Accrued expenses and other liabilities		5,758,202	5,103,777
<b>Total current liabilities</b>		<b>8,546,291</b>	<b>7,135,107</b>
<b>Total liabilities</b>		<b>10,652,197</b>	<b>9,199,262</b>
<b>Total equity and liabilities</b>		<b>121,739,315</b>	<b>120,967,995</b>

The condensed consolidated interim financial information consisting of pages 2 to 19 have been approved by the Board of Directors on 18 July 2018 and signed on its behalf by:

  
 Farouk Yousuf Almoayyed  
 Chairman

  
 Mohammed Hussain Yateem  
 Director & Chairman  
 Executive Committee

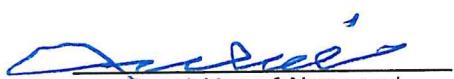
  
 Garfield Jones  
 Chief Executive Officer

  
 Suresh Surana  
 Chief Financial Officer

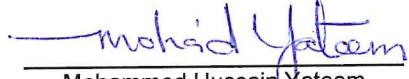
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the six months 30 June 2018**

Bahraini Dinars

note	Six months ended		Three months ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue	16,600,152	18,385,514	7,889,162	9,042,727
Direct operating costs	(10,759,294)	(11,514,261)	(5,122,712)	(5,703,873)
<b>Gross Profit from operations</b>	<b>5,840,858</b>	<b>6,871,253</b>	<b>2,766,450</b>	<b>3,338,854</b>
Dividend income	606,843	588,657	56,888	64,310
Share of profit from associates	463,626	907,020	118,826	424,458
Interest income	317,050	304,994	134,947	146,337
Impairment loss on investment securities	-	(58,659)	-	(35,385)
Management fee and other income	473,953	454,198	201,493	216,171
<b>Total investment and other income</b>	<b>1,861,472</b>	<b>2,196,210</b>	<b>512,154</b>	<b>815,891</b>
Depreciation	(2,240,563)	(2,282,872)	(1,120,890)	(1,131,332)
General and administration expenses	(839,377)	(915,436)	(426,827)	(464,802)
<b>PROFIT FOR THE PERIOD</b>	<b>4,622,390</b>	<b>5,869,155</b>	<b>1,730,887</b>	<b>2,558,611</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (IN FILS)</b>	<b>20</b>	<b>26</b>	<b>8</b>	<b>11</b>



Farouk Yousuf Almoayyed  
Chairman



Mohammed Hussain Yateem  
Director & Chairman  
Executive Committee



Garfield Jones  
Chief Executive Officer



Suresh Surana  
Chief Financial Officer

The condensed consolidated interim financial information consists of pages 2 to 19.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended 30 June 2018**

Bahraini Dinars

note	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Profit for the period</b>	<b>4,622,390</b>	5,869,155	<b>1,730,887</b>	2,558,611
<b>Other comprehensive income:</b> <i>Items that will not be reclassified to profit or loss</i>				
Investment securities at FVOCI – net change in fair value	189,878	-	133,048	-
	<b>189,878</b>	-	<b>133,048</b>	-
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Available for sale financial assets				
- Net change in fair value	-	(41,606)	-	(272,532)
Share of fair value reserve of associates	21,938	(4,281)	6,185	1,366
<b>Other comprehensive income for the period</b>	<b>211,816</b>	(45,887)	<b>139,233</b>	(271,166)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>4,834,206</b>	5,823,268	<b>1,870,120</b>	2,287,445

The condensed consolidated interim financial information consists of pages 2 to 19.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Bahraini Dinars

2018 (reviewed)	Share capital	Share premium	Treasury shares	Other reserves					Retained earnings	Total equity
				Statutory reserve	General reserve	Charity Reserve	Fair value reserve	Proposed dividend		
<b>As at 31 December 2017</b>	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	3,127,358	6,776,623	43,246,229	111,768,733
Impact of adopting IFRS 9 as at 1 January 2018 (note 4e)	-	-	-	-	-	-	1,260,802	-	-	1,260,802
Share of impact of adopting IFRS 9 of associated companies as at 1 January 2018	-	-	-	-	-	-	42,843	-	(42,843)	-
<b>Restated balances as at 1 January 2018</b>	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	4,431,003	6,776,623	43,203,386	113,029,535
<b>Comprehensive income for the period:</b>										
Profit for the period	-	-	-	-	-	-	-	-	4,622,390	4,622,390
Other comprehensive income for the period	-	-	-	-	-	-	211,816	-	-	211,816
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	<b>211,816</b>	-	<b>4,622,390</b>	<b>4,834,206</b>
Transfer on disposal of investment security	-	-	-	-	-	-	(41,793)	-	41,793	-
<b>Transactions with shareholders of the Group:</b>										
- Dividends declared for 2017	-	-	-	-	-	-	-	(6,776,623)	-	(6,776,623)
<b>At 30 June 2018</b>	<b>22,599,487</b>	<b>17,514,442</b>	<b>(33,248)</b>	<b>11,299,744</b>	<b>5,000,000</b>	<b>2,238,098</b>	<b>4,601,026</b>	-	<b>47,867,569</b>	<b>111,087,118</b>

The condensed consolidated interim financial information consists of pages 2 to 19.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Bahraini Dinars

2017 (reviewed and restated)

As at 1 January as previously stated

Impact of prior period adjustment (note 4c)

Restated balance as at 1 January

Comprehensive income for the period

Profit for the period

Other comprehensive income for the period

Total comprehensive income for the period

Transactions with shareholders of the Group:

- Bonus shares issued

- Cash dividends

- Adjustment during the period

Total transactions with owners of Group

At 30 June 2017

	Share capital	Share premium	Treasury shares	Other reserves					Retained earnings	Total equity
				Statutory reserve	General reserve	Charity Reserve	Fair value reserve	Proposed dividend		
	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
	-	-	-	-	-	2,062,630	-	-	-	2,062,630
	20,544,988	17,514,442	(33,248)	10,272,494	5,000,000	2,062,630	3,527,793	5,134,968	42,068,586	106,092,653
	-	-	-	-	-	-	-	-	5,869,155	5,869,155
	-	-	-	-	-	-	(45,887)	-	-	(45,887)
	-	-	-	-	-	-	(45,887)	-	5,869,155	5,823,268
	2,054,499	-	-	-	-	-	-	-	(2,054,499)	-
	-	-	-	-	-	-	-	(5,134,968)	-	(5,134,968)
	-	-	-	-	-	136,110	-	-	-	136,110
	2,054,499	-	-	-	-	136,110	-	(5,134,968)	(2,054,499)	(4,998,858)
	22,599,487	17,514,442	(33,248)	10,272,494	5,000,000	2,198,740	3,481,906	-	45,883,242	106,917,063

The condensed consolidated interim financial information consists of pages 2 to 19.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended 30 June 2018**

Bahraini Dinars

	note	30 June 2018 (reviewed)	30 June 2017 (reviewed)
<b>Cash flow from operating activities</b>			
Profit for the period		<b>4,622,390</b>	5,869,155
Adjustments for:			
Depreciation		2,240,563	2,282,872
Share of (profit) / loss of associates	7	(463,626)	(907,020)
Dividend income		(606,843)	(588,657)
Interest income		(317,050)	(304,994)
Impairment loss of investment security		-	58,659
Provision for allowance for doubtful debts		9,127	9,290
Provision for allowance for slow moving inventories		2,073	8,335
Provision for employees' end of service benefits		114,113	63,475
<b>Profit for the period after adjustments</b>		<b>5,600,747</b>	6,491,115
<b>Change in operating assets and liabilities:</b>			
Inventories		62,922	8,826
Trade and other receivables		(868,807)	(402,910)
Trade and other liabilities		1,677,033	(626,949)
Directors' remuneration paid		(261,250)	(180,002)
Donations paid		(4,600)	(21,500)
Employees' end of service benefits paid		(72,362)	(328,843)
<b>Net cash from operating activities</b>		<b>6,133,683</b>	4,939,737
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(8,693,940)	(3,311,434)
Advance paid towards projects	8	(22,889,684)	-
Purchase of investment securities		-	(126,894)
Disposal of investment securities		399,055	5,456
Return of capital		-	61,795
Interest received		312,839	301,017
Dividend received from an associate	7	1,201,000	1,175,750
Dividend received		606,843	588,657
Maturity of deposits over 90 days		14,906,959	1,273,613
<b>Net cash used in investing activities</b>		<b>(14,156,928)</b>	(32,040)
<b>Cash flow from financing activities</b>			
Dividends paid	9	(6,386,953)	(5,134,968)
<b>Net cash used in financing activities</b>		<b>(6,386,953)</b>	(5,134,968)
<b>Net decrease in cash and cash equivalents</b>		<b>(14,410,198)</b>	(227,271)
Cash and cash equivalents at 1 January		19,278,910	11,227,182
<b>Cash and cash equivalents as at 30 June</b>		<b>4,868,712</b>	10,999,911

The condensed consolidated interim financial information consists of pages 2 to 19.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the six months ended 30 June 2018****Bahraini Dinars****1. REPORTING ENTITY**

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.

This financial information is the reviewed condensed consolidated interim financial information (the "condensed consolidated interim financial information") of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2018.

The Group owns and operates the Gulf Hotel, Gulf Executive Residence, the Gulf Convention Centre, Gulf Executive Offices, Bahrain Tourism Company – Crowne Plaza Bahrain S.P.C. ("BTC") and Gulf Brands International in the Kingdom of Bahrain and provides other catering facilities. It also provides management services to The K Hotel and Asdal Gulf-inn Seef, Kingdom of Bahrain, and to Ocean Paradise Resort, Zanzibar, Republic of Tanzania.

**2. BASIS OF PREPARATION****(a) Statement of compliance**

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 (IAS), Interim Financial Reporting, which permits the condensed consolidated interim financial information to be in summarised form. The condensed consolidated interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2017, except for the effects of adoption of IFRS 9 and IFRS 15 as described in Note 4 to this condensed interim financial information. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2017.

The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited financial statements for the year ended 31 December 2017 and the comparatives for the condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed consolidated interim financial information for the six-month period ended 30 June 2017.

**(b) Judgements and estimates**

Preparing the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, significant judgments made by the management in applying the Group's accounting policies and key source of estimation of uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended 31 December 2017, except for the changes arising on adoption of IFRS 9 and IFRS 15.

**(c) Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017, except for the changes arising on adoption of IFRS 9 and IFRS 15.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the six months ended 30 June 2018****Bahraini Dinars****3. SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

**4. CHANGE IN ACCOUNTING POLICIES****(a) Adoption of IFRS 9**

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements as of and for the year ended 31 December 2017.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and the opening balance of fair value reserve of the current period.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below. Since the comparative financial information has not been restated, the accounting policies in respect of the financial instruments for comparative periods are based on IAS 39 as disclosed in the audited financial statements as of and for the year ended 31 December 2017.

**Classification of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of trading, held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities with the exception of the treatment of the Group's own credit gains and losses, which arise where an entity has chosen to measure a liability at fair value through profit or loss, these gains and losses are recognised in other comprehensive income. There continue to be two measurement categories for financial liabilities: fair value and amortised cost.

**Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group did not have a significant impact on impairment of financial assets from adoption of this standard.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

Bahraini Dinars

## 4. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

## (b) Adoption of IFRS 15

The Group has adopted IFRS 15 – Revenue from contracts with customers on 1 January 2016. There was no significant impact on the Group's interim financial information from adoption of this standard.

## (c) Reclassification of charity reserve

The Group has reassessed the classification of its Charity Reserve account. As there was no identified obligation to make contributions to any beneficiary, the amounts do not meet the definition of a financial liability. Accordingly, these balances have now been reclassified as a component within equity. The change in classification has been adopted retrospectively by restating comparatives.

## (d) Changes to significant estimates and Judgements

Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

## (e) Impact of adopting IFRS 9

The impact from the adoption of IFRS 9 as at 1 January 2018 is as follows:

	Retained earnings	Other reserves
Closing balance under IAS 39 (31 December 2017)	43,246,229	3,127,358
<u>Impact on reclassification and remeasurements:</u>		
Investment securities from available-for-sale to those measured at fair value through other comprehensive income	-	1,260,802
	43,246,229	4,388,160
Impact of adopting IFRS 9 of associate company	(42,843)	42,843
<b>Opening balance under IFRS 9 on date of initial application of 1 January 2018</b>	<b>43,203,386</b>	<b>4,431,003</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

Bahraini Dinars

## 4. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

## (f) Classification and measurement of financial instruments

The Group performed a detailed analysis of its business models for managing financial assets as well as analysing their cash flow characteristics. The below table reconciles the original measurement categories and carrying amounts of financial assets in accordance with IAS 39 and the new measurement categories under IFRS 9 as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount	Impact of IFRS 9		BD
				Re-measurement	Reclassification	
Cash and bank balances	Loans and receivables	Amortised cost	34,185,869	-	-	34,185,869
Trade receivables and other assets	Loans and receivables	Amortised cost	3,138,123	-	-	3,138,123
<b>Investment securities</b>						
<i>Debt securities</i>	Available-for-sale	FVOCI	364,107	-	-	364,107
<i>Equity securities (Quoted)</i>	Available-for-sale	FVOCI	11,279,690	-	-	11,279,690
<i>Equity securities (Unquoted)</i>	Available-for-sale	FVOCI	710,071	1,260,802	-	1,970,873
<i>Managed funds</i>	Available-for-sale	FVOCI	139,614	-	-	139,614
			<b>49,817,474</b>	<b>1,260,802</b>	<b>-</b>	<b>51,078,276</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

Bahraini Dinars

**5. SEASONALITY**

Due to the nature of Hotel operations, October to April is usually a busy season. Accordingly, the interim financial results may not represent a proportionate share of the annual profits.

**6. PROPERTY, PLANT AND EQUIPMENT**

During the six-month period ended 30 June 2018, the Group incurred capital expenditure amounting to BD 8,693,940 (31 December 2017: BD 7,377,567) on its various projects including development of Gulf Residence Juffair, Gulf Brands International Warehouse and renovation of the Gulf Convention Centre.

**7. INVESTMENT IN ASSOCIATES**

The Group has a 28.06% interest in Bahrain Family Leisure Company B.S.C. (BFLC). BFLC is a company registered in the Kingdom of Bahrain and listed on Bahrain Bourse 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., a private Company incorporated in the Kingdom of Bahrain and is involved in the business of investment, importing and selling consumer products.

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

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

**30 June 2018 (Reviewed)**

Balance at 1 January 2018  
Share of profit/(loss) during the period  
Dividends received  
Share in associates' cumulative changes in fair values

	African & Eastern	BFLC	Total
Balance at 1 January 2018	7,835,632	2,074,900	9,910,532
Share of profit/(loss) during the period	682,090	(218,464)	463,626
Dividends received	(1,100,000)	(101,000)	(1,201,000)
Share in associates' cumulative changes in fair values	21,938	-	21,938
<b>Balance at the end of the period</b>	<b>7,439,660</b>	<b>1,755,436</b>	<b>9,195,096</b>

**30 June 2017 (Reviewed)**

Balance at 1 January 2017  
Share of profit during the period  
Dividends received  
Share in associates' cumulative changes in fair values

	African & Eastern	BFLC	Total
Balance at 1 January 2017	7,694,862	1,865,079	9,559,941
Share of profit during the period	774,220	132,800	907,020
Dividends received	(1,100,000)	(75,750)	(1,175,750)
Share in associates' cumulative changes in fair values	(4,281)	-	(4,281)
<b>Balance at the end of the period</b>	<b>7,364,801</b>	<b>1,922,129</b>	<b>9,286,930</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the six months ended 30 June 2018****Bahraini Dinars****8. OTHER ASSETS**

Other assets include BD 22,889,684 of advance payments made towards the purchase of a 4 Star Hotel in Dubai, United Arab Emirates. (refer note 15)

**9. APPROPRIATIONS**

The Shareholders approved the following appropriations for 2017 in their Annual General Meeting held on 12 March 2018 that were effected during the quarter:

	<b>2018</b>	<b>2017</b>
Cash dividends	<b>6,776,623</b>	5,134,968

At the annual general meeting of the shareholders held on 12 March 2018, the shareholders of the Company resolved to distribute cash dividend of 30 fils per share totaling BD 6,776,623 for the year 2017 (2017: 25 fils per share totaling BD 5,134,968 for the year 2016). Dividends payable are included within accrued expenses and other liabilities in the interim consolidated statement of financial position as at 30 June 2018.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**For the six months ended 30 June 2018**

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**10. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company. Transactions between related parties are on terms agreed between the parties.

Transactions with related parties during the period are as follows:

	For the six-month period ended 30 June 2018				For the six-month period ended 30 June 2017			
	Purchases	Sales	Management fee income	Share of profit from associates	Purchases	Sales	Management fee income	Share of profit from associates
Major shareholders and their affiliates	164,317	108,446	164,868	-	315,098	106,123	223,495	-
Associates (note 7)	20,157	-	-	463,626	42,447	-	-	907,020
Other related parties	-	-	-	-	-	46,983	-	-
	<b>184,474</b>	<b>108,446</b>	<b>164,868</b>	<b>463,626</b>	<b>357,545</b>	<b>153,106</b>	<b>223,495</b>	<b>907,020</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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## 10 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2018				31 December 2017			
	Trade receivables	Other receivables	Trade payables	Other payables	Trade receivables	Other receivables	Trade payables	Other payables
Major shareholders and their affiliates	12,984	371,275	82,465	140,287	252,083	471,726	105,773	16,807
Other related parties	-	136	10,665	7,501	16,354	-	-	-
	<b>12,984</b>	<b>371,411</b>	<b>93,130</b>	<b>147,788</b>	<b>268,437</b>	<b>471,126</b>	<b>105,773</b>	<b>16,807</b>

## 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:

Six-month period ended 30 June	
2018	2017
133,430	133,346
9,463	9,463
161,065	151,998
<b>303,958</b>	<b>294,807</b>

Salaries and short-term employee benefits

Post employment benefits

Directors attendance fees and remuneration

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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## 10 RELATED PARTY TRANSACTIONS (continued)

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 six-month period ended 30 June 2018, the Group has not recorded any impairment of amounts owed by related parties (six-month period ended 30 June 2017: nil and year ended 31 December 2017: nil).

## 11. COMMITMENTS AND CONTINGENT LIABILITIES

	30 June 2018 Reviewed	31 December 2017 Audited
Letter of guarantees	<b>64,000</b>	64,000

As at 30 June 2018, the Group had commitments of BD 21,522,373 (31 December 2017: BD 4,906,425) relating to the purchase of a 4 Star Hotel in Dubai, development of Gulf Residence Juffair, warehouse in Askar and renovation of the Gulf Convention Centre.

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

***Fair value hierarchy***

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. ask prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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## 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

## 30 June 2018

	Level 1	Level 2	Level 3	Total
<i>Fair value through other comprehensive income:</i>				
Debt securities	187,335	-	-	187,335
Equity securities	11,429,222	-	-	11,429,222
Unquoted equity securities	-	-	1,970,873	1,970,873
	<b>11,616,557</b>		<b>1,970,873</b>	<b>13,587,430</b>

## 31 December 2017

	Level 1	Level 2	Level 3	Total
<i>Fair value through other comprehensive income:</i>				
Debt securities	364,107	-	-	364,107
Equity securities	11,279,691	-	-	11,279,691
Unquoted equity securities	-	-	710,071	710,071
Managed Funds	-	139,613	-	139,613
	<b>11,643,798</b>	<b>139,613</b>	<b>710,071</b>	<b>12,493,482</b>

## 13. SEGMENTAL INFORMATION

For management purposes, the Group is organized into three 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.

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.

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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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## 13 SEGMENT INFORMATION (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Three-month ended 30 June</b>								
Gross operating revenue	2,266,112	2,791,325	5,623,050	6,251,402	-	-	7,889,162	9,042,727
Gross operating costs	(1,395,573)	(1,849,253)	(3,727,139)	(3,854,620)	-	-	(5,122,712)	(5,703,873)
Gross operating profit	<b>870,539</b>	942,072	<b>1,895,911</b>	2,396,782	-	-	<b>2,766,450</b>	3,338,854
Investment income (loss)	-	-	-	-	175,714	453,383	175,714	453,383
Interest income	-	-	-	656	134,947	145,681	134,947	146,337
Management fee and other income	32,554	34,387	8,173	15,348	160,766	166,436	201,493	216,171
Depreciation	(876,579)	(825,276)	(239,296)	(306,056)	(5,015)	-	(1,120,890)	(1,131,332)
General and administration expenses	(14,195)	(11,140)	-	(5,279)	(412,632)	(448,383)	(426,827)	(464,802)
Segment profit for the period	<b>12,319</b>	140,043	<b>1,664,788</b>	2,101,451	<b>53,780</b>	317,117	<b>1,730,887</b>	2,558,611
<b>Six-month ended 30 June</b>								
Gross operating revenue	4,495,836	5,125,069	12,104,316	13,260,445	-	-	16,600,152	18,385,514
Gross operating costs	(2,852,855)	(3,022,893)	(7,906,439)	(8,491,368)	-	-	(10,759,294)	(11,514,261)
Gross operating profit	<b>1,642,981</b>	2,102,176	<b>4,197,877</b>	4,769,077	-	-	<b>5,840,858</b>	6,871,253
Investment income	-	-	-	-	1,070,469	1,437,018	1,070,469	1,437,018
Interest income	-	-	-	656	317,050	304,338	317,050	304,994
Management fee and other income	71,466	78,860	24,155	34,894	378,332	340,444	473,953	454,198
Depreciation	(1,400,652)	(1,661,208)	(829,929)	(608,704)	(9,982)	(12,960)	(2,240,563)	(2,282,872)
General and administration expenses	(30,385)	(22,284)	-	(10,438)	(808,992)	(882,714)	(839,377)	(915,436)
Segment profit for the period	<b>283,410</b>	497,544	<b>3,392,103</b>	4,185,485	<b>946,877</b>	1,186,126	<b>4,622,390</b>	5,869,155

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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## 13 SEGMENT INFORMATION (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Total	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Total assets	<b>61,660,815</b>	68,210,415	<b>35,832,017</b>	30,902,302	<b>24,246,483</b>	21,855,278	<b>121,739,315</b>	120,967,995
Total liabilities	<b>6,773,223</b>	3,098,710	<b>2,116,652</b>	4,373,345	<b>1,762,322</b>	1,727,207	<b>10,652,197</b>	9,199,262
Capital expenditure	<b>2,097,019</b>	4,918,378	<b>730,146</b>	2,459,189	<b>5,866,775</b>	-	<b>8,693,940</b>	7,377,567

## 14. COMPARATIVES

Certain prior period amounts have been regrouped to conform to the presentation in the current period. Except for the prior period adjustment of charity reserve (note 4c), such regroupings did not affect previously reported net profit for the period, comprehensive income or total equity.

## 15. SUBSEQUENT EVENT

The Group is in the process of purchasing a 4 Star hotel property in Dubai, United Arab Emirates, at a total cost of BD 35 Million. The Group intends to obtain a bank loan of BD 25 million for financing the purchase of the hotel. Certain properties of the Group are to be held as collateral for the loan. During an Extraordinary General Meeting held on 18 July 2018, the Shareholders have authorized the Board of Directors to negotiate terms and obtain a bank loan of up to BD 25 Million to finance the purchase of the Hotel.