

Gulf Hotels Group B.S.C.

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 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 September 2016, comprising of the interim consolidated statement of financial position as at 30 September 2016 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the nine-month period then ended and explanatory notes. The 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.




26 October 2016
Manama, Kingdom of Bahrain

Gulf Hotels Group B.S.C.


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

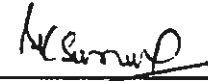
At 30 September 2016 (Reviewed)

	Note	30 September 2016 Reviewed BD	31 December 2015 Audited BD
ASSETS			
Non-current assets			
Property, plant and equipment	8	53,571,354	45,223,142
Investment property		481,555	-
Investment in associates	9	8,814,907	1,821,415
Available-for-sale investments	10	11,988,487	7,093,780
		<u>74,856,303</u>	<u>54,138,337</u>
Current assets			
Trading investments	11	583,383	570,350
Inventories		3,672,243	3,187,651
Trade and other receivables		3,641,713	2,600,631
Cash and bank balances	12	30,160,914	22,005,920
		<u>38,058,253</u>	<u>28,364,552</u>
TOTAL ASSETS		<u>112,914,556</u>	<u>82,502,889</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	4	20,544,988	17,360,544
Treasury shares	4	(33,248)	-
Share premium	4	17,514,442	-
Statutory reserve		8,680,272	8,680,272
General reserve		5,000,000	5,000,000
Available-for-sale investments reserve		3,265,330	3,298,835
Proposed dividend		-	5,208,183
Retained earnings		45,010,456	32,663,056
Total equity		<u>99,982,240</u>	<u>72,210,870</u>
Non-current liability			
Employees' end of service benefits		2,506,727	1,985,766
Current liability			
Trade and other payables		10,425,589	8,306,253
Total liabilities		<u>12,932,316</u>	<u>10,292,019</u>
TOTAL EQUITY AND LIABILITIES		<u>112,914,556</u>	<u>82,502,889</u>


Farouk Yousuf Almoayyed
Chairman


Aqeel Raees
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.

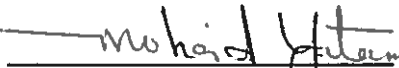
Gulf Hotels Group B.S.C.


INTERIM CONSOLIDATED STATEMENT OF INCOME

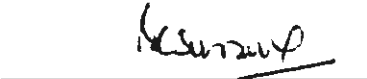
For the nine-month period ended 30 September 2016 (Reviewed)

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2016	2015	2016	2015
		BD	BD	BD	BD
Gross operating revenue		9,672,324	7,442,495	26,054,602	24,553,160
Operating costs		(6,117,607)	(4,601,297)	(15,689,087)	(14,354,436)
GROSS OPERATING PROFIT		3,554,717	2,841,198	10,365,515	10,198,724
Net investment income:					
Share of profit (loss) from associates	9 & 14	451,560	(189,772)	539,933	(85,446)
Dividend income	7	209,714	94,305	531,980	403,121
(Loss) gain on trading investments		(4,029)	(14,848)	13,033	(17,424)
Impairment loss on available-for-sale investments	10	(68,869)	(8,793)	(193,068)	(60,198)
Interest income		112,276	55,569	271,414	181,762
Other income		191,462	162,331	516,038	648,274
Total income		4,446,831	2,939,990	12,044,845	11,268,813
Depreciation		(1,116,243)	(766,385)	(2,800,476)	(2,288,255)
Charity reserve expense		(67,950)	(53,664)	(203,850)	(195,924)
General and administration expenses		(368,812)	(342,097)	(1,660,062)	(996,908)
Total expenses		(1,553,005)	(1,162,146)	(4,664,388)	(3,481,087)
PROFIT FOR THE PERIOD BEFORE GAIN ON BARGAIN PURCHASE		2,893,826	1,777,844	7,380,457	7,787,726
GAIN ON BARGAIN PURCHASE	3	-	-	4,966,943	-
PROFIT FOR THE PERIOD		2,893,826	1,777,844	12,347,400	7,787,726
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	4	14	10	66	45


Farouk Yousuf Almoayyed
Chairman


Mohammed Hussain 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 nine-month period ended 30 September 2016 (Reviewed)

	<i>Note</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		2016	2015	2016	2015
		BD	BD	BD	BD
Profit for the period		2,893,826	1,777,844	12,347,400	7,787,726
Other comprehensive loss					
Net movement in fair valuation of available-for-sale investments to be reclassified to profit or loss in subsequent periods	10	8,900	(255,295)	(29,046)	(42,228)
Share of fair value reserve of associates	9	(55,784)	-	(4,459)	-
Other comprehensive loss for the period		(46,884)	(255,295)	(33,505)	(42,228)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,846,942	1,522,549	12,313,895	7,745,498

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

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2016 (Reviewed)

		Nine-month period ended 30 September	
		2016	2015
	Note	BD	BD
OPERATING ACTIVITIES			
Profit for the period		12,347,400	7,787,726
Adjustments for:			
Gain on bargain purchase	3	(4,966,943)	-
Depreciation		2,800,476	2,288,255
Share of (profit) loss from associates	9 & 14	(539,933)	85,446
Dividend income	7	(531,980)	(403,121)
Interest income		(271,414)	(181,762)
(Gain) loss on trading investments		(13,033)	17,424
Impairment loss of available-for-sale investments	10	193,068	60,198
Provision for doubtful debts		14,626	14,400
Provision for slow moving inventories		3,600	8,100
Provision for employees' end of service benefits		173,815	136,418
Operating profit before working capital changes		9,209,682	9,813,084
Working capital changes:			
Inventories		(410,770)	(413,695)
Trade and other receivables		(528,785)	(178,514)
Trade and other payables		(571,027)	(546,054)
Net cash from operations		7,699,100	8,674,821
Directors' remuneration paid		(207,000)	(180,000)
Donations paid		(46,519)	(39,449)
Employees' end of service benefits paid		(135,312)	(199,961)
Net cash flows from operating activities		7,310,269	8,255,411
INVESTING ACTIVITIES			
Cash flow arising on acquisition of a subsidiary	3	8,317,126	-
Purchase of property, plant and equipment		(3,368,064)	(4,275,869)
Purchase of available-for-sale investments		(229,614)	-
Net movement of cash held for investment trading		-	(446)
Dividends received from an associate	9	400,000	-
Other dividends received		531,980	403,121
Interest received		288,532	277,114
Term deposits with a maturity of more than three months		(717,556)	2,930,180
Net cash flows from (used in) investing activities		5,222,404	(665,900)
FINANCING ACTIVITY			
Dividends	5	(5,208,163)	(6,613,540)
INCREASE IN CASH AND CASH EQUIVALENTS		7,324,510	975,971
Cash and cash equivalents at 1 January	12	4,215,968	2,261,145
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	12	11,540,478	3,237,116

Non-cash items:

(i) Liabilities towards acquisition of property, plant and equipment to the extent of BD 1,582,027 (30 September 2015: BD 1,443,381) with a net decrease of BD 848,407 (30 September 2015: increase of BD 430,986) were not settled as of the date of the interim consolidated statement of financial position.

(ii) Interest income of BD 72,827 (30 September 2015: BD 44,836) which has been accrued but is not yet due with a net increase of BD 17,118 (30 September 2015: decrease of BD 95,352) has been excluded from the movement in trade and other receivables.

(iii) Unclaimed dividends pertaining to prior years amounting to BD 332,977 (30 September 2015: BD 256,482) with a net increase of BD 112,928 (30 September 2015: increase of BD 61,740) 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 September 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 nine-month period ended 30 September 2016 (Reviewed)

	Note	Share capital BD	Treasury shares BD	Share premium BD	Statutory reserve BD	General reserve BD	Available- for-sale investments reserve BD	Proposed dividend BD	Retained earnings BD	Total equity BD
Balance at 1 January 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		-	-	-	-	-	-	-	12,347,400	12,347,400
Other comprehensive loss		-	-	-	-	-	(33,505)	-	-	(33,505)
Total comprehensive income		-	-	-	-	-	(33,505)	-	12,347,400	12,313,895
Dividends declared	5	-	-	-	-	-	-	(5,208,163)	-	(5,208,163)
Shares 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 September 2016 (reviewed)		20,544,988	(33,248)	17,514,442	8,680,272	5,000,000	3,265,330	-	45,010,456	99,982,240
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		-	-	-	-	-	-	-	7,787,726	7,787,726
Other comprehensive loss		-	-	-	-	-	(42,228)	-	-	(42,228)
Total comprehensive income		-	-	-	-	-	(42,228)	-	7,787,726	7,745,498
Issue of bonus shares	5	826,693	-	-	-	-	-	-	(826,693)	-
Dividends declared	5	-	-	-	-	-	-	(6,613,540)	-	(6,613,540)
Balance at 30 September 2015 (reviewed)		17,360,544	-	-	8,266,926	5,000,000	3,115,013	-	36,875,202	70,617,685

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

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 nine-month period ended 30 September 2016 the Company acquired a 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 are in progress as of the date of the interim consolidated statement of financial position.

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

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

<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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

1 GROUP INFORMATION (continued)

<i>Name of associate</i>	<i>Ownership interest</i>	<i>Country of incorporation</i>	<i>Activities</i>
African and Eastern (Bahrain) W.L.L. (A&E)	33.33%	Kingdom of Bahrain	Investment in bonds and shares as well as importing and selling consumer products.

The interim condensed consolidated financial statements of Gulf Hotels Group B.S.C. and its subsidiaries (collectively, the Group) for the nine-month period ended 30 September 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 26 October 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 nine-month period ended 30 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 consolidated statement of income.

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 the consolidated statement of income as "gain on bargain purchase".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 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:

	<i>Fair value BD</i>	<i>Carrying value BD</i>
Assets acquired		
Cash and bank balances	1,471,282	1,471,282
Short term bank deposits	6,845,844	6,845,844
Trade receivables	273,475	284,872
Inventory	77,422	77,422
Prepayments and other receivables	270,566	270,566
Available-for-sale investments	4,920,455	4,920,455
Investment in an associate company	6,858,018	6,858,018
Investment property	498,835	928,363
Property and equipment	8,611,751	15,675,458
	29,827,648	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
	4,161,819	2,161,819
Net assets	25,665,829	35,170,461

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

3 ACQUISITION OF BAHRAIN TOURISM COMPANY B.S.C. (continued)

Gain on bargain purchase arising on acquisition

	<i>BD</i>
Fair value of identifiable net assets acquired	25,665,829
Fair value of the consideration given (note 4)	<u>(20,698,886)</u>
Gain on bargain purchase	<u>4,966,943</u>
Net cash flow arising on acquisition	<u>8,317,126</u>

From the date of acquisition, BTC contributed BD 1,722,362 of revenue and BD 234,583 profit to the operations of the Group. If the combination had taken place at the beginning of the period, revenue contributed from operations would have been BD 4,761,040 and profit contributed for the Group would have been BD 1,469,595.

4 SHARE CAPITAL AND EARNINGS PER SHARE

	30 September 2016 <i>BD</i>	31 December 2015 <i>BD</i>
Share capital:		
Authorised:		
300,000,000 (2015: 200,000,000) ordinary shares of BD 0.100 each	<u>30,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
Opening balance - 173,605,435 shares of BD 0.100 each	17,360,544	17,360,544
Issued during the period - 31,844,440 shares of BD 0.100 each (note 3)	<u>3,184,444</u>	<u>-</u>
	<u>20,544,988</u>	<u>17,360,544</u>
Treasury shares: 51,151 shares (2015: nil) (arising as part of the acquisition of BTC)	<u>(33,248)</u>	<u>-</u>

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2016	2015	2016	2015
Profit for the period – BD	<u>2,893,826</u>	<u>1,777,844</u>	<u>12,347,400</u>	<u>7,787,726</u>
Weighted average number of shares outstanding	<u>205,398,724</u>	<u>173,605,435</u>	<u>187,735,786</u>	<u>173,605,435</u>
Basic and diluted earnings per share – fils	<u>14</u>	<u>10</u>	<u>66</u>	<u>45</u>

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September 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 8,917,777 (31 December 2015: BD 11,502,205).

7 SEASONALITY OF RESULTS

Dividend income of BD 531,980 during the nine-month period ended 30 September 2016 is of a seasonal nature (nine-month period ended 30 September 2015: BD 403,121).

8 PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2016, the Group incurred capital expenditure amounting to BD 11,630,243 (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 September 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 (loss) during the period (note 14)*	565,410	(25,477)	539,933
Dividends received	(400,000)	-	(400,000)
Share in associates' cumulative changes in fair values	(4,459)	-	(4,459)
Carrying value	<u>7,018,969</u>	<u>1,795,938</u>	<u>8,814,907</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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	<u>1,821,415</u>

	BFLC	
	30 September 2016 Reviewed	31 December 2015 Audited
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 nine-month period ended 30 September 2016, the Group has recognised a profit of BD 565,410 and loss of BD 25,477 representing their 33.33% and 28.06% share, respectively (nine-month period ended 30 September 2015: nil and loss of BD 85,446, respectively).

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

10 AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2016 Reviewed BD	31 December 2015 Audited BD
Quoted investments (at fair value)*	9,633,695	4,861,483
Quoted investments originally trading investments (at fair value)**	1,446,884	1,646,231
Unquoted investments (at cost less impairment)	771,866	586,066
	<u>11,852,445</u>	<u>7,093,780</u>
Managed funds:		
At fair value	135,641	-
At cost	401	-
	<u>136,042</u>	<u>-</u>
	<u>11,988,487</u>	<u>7,093,780</u>

*Quoted investments (at fair value) includes an amount of 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 during the nine-month period ended 30 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

10 AVAILABLE-FOR-SALE INVESTMENTS (continued)

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

	30 September 2016			Total BD
	Quoted investments BD	Unquoted investments BD	Managed funds BD	
Opening balance	6,507,714	586,066	-	7,093,780
Purchases during the period	4,780,007	194,133	142,681	5,116,821
Fair value loss on available-for-sale investments - net	(22,407)	-	(6,639)	(29,046)
Impairment	(184,735)	(8,333)	-	(193,068)
Closing balance (note 11)	11,080,579	771,866	136,042	11,988,487

	31 December 2015		Total BD
	Quoted equity investments BD	Unquoted equity investments 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 September 2016 (31 December 2015: BD 1,153,072).

As at 30 September 2016 the carrying and fair value of reclassified investments is BD 1,446,884 (31 December 2015: BD 1,646,222). During the nine-month period ended 30 September 2016, the Group has not recognised any fair value adjustments in the interim consolidated statement of income (nine-month period ended 30 September 2015: same) and a fair value loss of BD 199,338 (nine-month period ended 30 September 2015: fair value loss of BD 92,618) 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 199,338 for the nine-month period ended 30 September 2016 (nine-month period ended 30 September 2015: fair value loss of BD 92,618) in the interim consolidated statement of income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

10 AVAILABLE-FOR-SALE 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 September 2016, the cumulative impairment provision on unquoted equity investments amounted to BD 148,566 (31 December 2015: BD 140,233). Impairment provision provided for the nine-month period ended 30 September 2016 amounted to BD 8,333 (nine-month period ended 30 September 2015: nil).

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 September 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)	11,080,579	11,080,579	6,507,714	6,507,714
Managed funds (note 10)	135,641	135,641	-	-
<i>Trading investments</i>	583,383	583,383	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

	30 September 2016 Reviewed BD	31 December 2015 Audited BD
Available-for-sale investments (Level 1)	11,080,579	6,507,714
Trading investments (Level 1)	583,383	570,350
	11,663,962	7,078,064
Managed funds available-for-sale investments (Level 2)	135,641	-
	11,799,603	7,078,064

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.

12 CASH AND BANK BALANCES

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

	30 September 2016 Reviewed BD	31 December 2015 Audited BD	30 September 2015 Reviewed BD
Cash on hand, bank balances and term deposits	30,160,914	22,005,920	20,583,757
Term deposits with an original maturity of more than three months	(18,287,459)	(17,569,903)	(17,090,159)
Bank balances representing unclaimed dividends	(332,977)	(220,049)	(256,482)
Cash and cash equivalents as per interim consolidated statement of cash flows	11,540,478	4,215,968	3,237,116

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

13 SEGMENT INFORMATION

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

Hotel operations	- Hotel room and rental, management of executive apartments and offices and provision 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.
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

13 SEGMENT INFORMATION (continued)

	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	
	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed	BD	Reviewed
Three-month ended 30 September																								
Gross operating revenue	2,004,460	1,967,164			6,222,335	5,457,303			2,226	18,028			-	-			1,443,303	-			9,672,324	7,442,495		
Gross operating costs	(1,498,066)	(745,279)			(3,424,236)	(3,842,400)			(6,875)	(13,618)			-	-			(1,188,430)	-			(6,117,607)	(4,601,297)		
Gross operating profit	506,394	1,221,885			2,798,099	1,614,903			(4,649)	4,410			-	-			254,873	-			3,554,717	2,841,198		
Gain on bargain purchase	-	-			-	-			-	-			-	-			-	-			-	-		
Investment income - net	-	-			-	-			-	-			(47,754)	(119,108)			636,130	-			586,376	(119,108)		
Interest income	-	-			375	643			-	-			80,109	54,926			31,792	-			112,276	55,569		
Other income	40,704	48,378			21,593	10,921			1,674	-			92,421	103,032			35,070	-			191,462	162,331		
Depreciation	(453,512)	(490,217)			(333,286)	(275,897)			(95)	(271)			-	-			(329,350)	-			(1,116,243)	(766,385)		
Charity reserve expense	-	-			-	-			-	-			(67,950)	(53,664)			-	-			(67,950)	(53,664)		
Other expenses	(9,386)	(14,085)			(6,785)	(7,295)			4,999	(10,329)			(291,122)	(310,388)			(66,518)	-			(368,812)	(342,097)		
Segment profit (loss) for the period	84,200	765,961			2,479,996	1,343,275			1,929	(6,190)			(234,296)	(325,202)			561,997	-			2,893,826	1,777,844		
Nine-month ended 30 September																								
Gross operating revenue	6,183,223	6,376,877			18,133,837	18,110,904			15,180	65,379			-	-			1,722,362	-			26,054,602	24,553,160		
Gross operating costs	(2,942,929)	(2,182,703)			(11,204,367)	(12,122,834)			(10,357)	(48,899)			-	-			(1,531,434)	-			(15,689,087)	(14,354,436)		
Gross operating profit	3,240,294	4,194,174			6,928,470	5,988,070			4,823	16,480			-	-			190,928	-			10,365,515	10,198,724		
Gain on bargain purchase	-	-			-	-			-	-			4,966,943	-			-	-			4,966,943	-		
Investment income - net	-	-			-	-			-	-			226,908	240,053			664,970	-			891,878	240,053		
Interest income	-	-			1,249	1,754			-	-			229,433	180,008			40,732	-			271,414	181,762		
Other income	120,413	173,677			55,407	40,458			1,674	-			293,934	434,139			44,610	-			516,038	648,274		
Depreciation	(1,455,009)	(1,463,314)			(906,040)	(824,071)			(137)	(870)			-	-			(439,290)	-			(2,800,476)	(2,288,255)		
Charity reserve expense	-	-			-	-			-	-			(203,850)	(195,924)			-	-			(203,850)	(195,924)		
Other expenses	(31,341)	(19,364)			(17,762)	(9,935)			(1,604)	(31,582)			(1,341,988)	(936,027)			(267,367)	-			(1,660,062)	(996,908)		
Segment profit (loss) for the period	1,874,357	2,885,173			6,062,324	5,196,276			4,756	(15,972)			4,171,380	(277,751)			234,583	-			12,347,400	7,787,726		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

13 SEGMENT INFORMATION (continued)

	Hotel room operations				Food and beverage				Commercial activities				Investment and other activities				Bahrain Tourism Company B.S.C.				Consolidated			
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited	BD Reviewed	BD Audited
Total assets	43,805,955	44,559,494	29,452,291	28,176,380	58,475	66,521	9,819,241	9,600,494	29,778,594	-	112,914,556	82,502,889												
Total liabilities	5,081,934	5,482,480	4,036,715	4,795,051	1,685	14,488	-	-	3,809,982	-	12,932,316	10,292,019												
Capital expenditure	1,679,771	4,889,311	839,886	2,444,656	-	-	9,110,586	-	-	-	11,630,243	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.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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:

	For the three-month period ended 30 September 2016 (Reviewed)				For the three-month period ended 30 September 2015 (Reviewed)			
	Purchases BD	Sales BD	Management fee income BD	Share of profit in associates BD	Purchases BD	Sales BD	Management fee income BD	Share of loss in an associate BD
Major shareholders and their affiliates	101,281	441,694	92,421	-	759,814	150,337	92,239	-
Associates	-	-	-	451,560	-	-	-	(189,772)
Other related parties	-	25,265	-	-	-	5,139	-	-
	101,281	466,959	92,421	451,560	759,814	155,476	92,239	(189,772)
	For the nine-month period ended 30 September 2016 (Reviewed)				For the nine-month period ended 30 September 2015 (Reviewed)			
	Purchases BD	Sales BD	Management fee income BD	Share of profit in associates BD	Purchases BD	Sales BD	Management fee income BD	Share of loss in an associate BD
Major shareholders and their affiliates	621,382	554,347	286,398	-	1,404,747	476,575	263,424	-
Associates (note 9)	-	-	-	539,933	-	-	-	(85,446)
Other related parties	-	67,277	-	-	-	23,496	-	-
	621,382	621,624	286,398	539,933	1,404,747	500,071	263,424	(85,446)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

14 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2016 (Reviewed)		31 December 2015 (Audited)	
	Receivables BD	Payables BD	Receivables BD	Payables BD
Major shareholders and their affiliates	724,310	88,268	563,707	87,009
Associate	-	10,028	-	-
Other related parties	60,206	-	9,734	-
	784,516	98,296	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 September (Reviewed)		Nine-month period ended 30 September (Reviewed)	
	2016 BD	2015 BD	2016 BD	2015 BD
Short-term benefits - senior executives	267,344	136,730	632,494	429,136
Post-employment benefits - senior executives	8,151	6,408	24,452	18,473
Short-term benefits - directors	68,950	69,750	218,450	210,850
	344,445	212,888	875,396	658,459

Outstanding balances at the period / year end arise in the normal course of business and are interest free and unsecured. The Group only creates an impairment provision for related party balances where it is virtually certain the debt will not be recovered. For the nine-month period ended 30 September 2016, the Group has not recorded any impairment of amounts owed by related parties (nine-month period ended 30 September 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 September 2016 Reviewed	31 December 2015 Audited
Number of shares	134,303,813	102,488,086
Percentage of holdings	65.37%	59.04%