

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

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

**30 September 2018**

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

**Condensed consolidated interim financial information  
For the nine months 30 September 2018**

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KPMG Fakhro  
Audit  
12<sup>th</sup> Floor, Fakhro Tower  
PO Box 710, Manama  
Kingdom of Bahrain

Telephone +973 17 224807  
Fax +973 17 227443  
Website: www.kpmg.com/bh  
CR No. 6220

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

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

**7 November 2018**

### **Introduction**

We have reviewed the accompanying 30 September 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 September 2018;
- the condensed consolidated statement of profit or loss for the three-month and nine-month period ended 30 September 2018;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month period ended 30 September 2018;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 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 September 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 nine months ended 30 September 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 8 November 2017.

As part of our review of the condensed consolidated interim financial information as at and for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**For the nine months ended 30 September 2018**

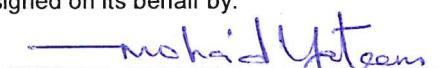
Bahraini Dinars


	note	30 September 2018 (reviewed)	31 December 2017 (audited and Restated)
<b>ASSETS</b>			
Property, plant and equipment	6, 8	102,804,224	56,862,035
Investment properties		809,827	846,282
Investment in associates	7	9,055,612	9,910,532
Investment securities		13,664,225	12,493,482
<b>Total non-current assets</b>		<b>126,333,888</b>	<b>80,112,331</b>
Inventories		3,735,628	3,531,672
Trade receivables		922,233	1,547,001
Other assets		2,060,884	1,591,122
Cash and bank balances		4,819,689	34,185,869
<b>Total current assets</b>		<b>11,538,434</b>	<b>40,855,664</b>
<b>Total assets</b>		<b>137,872,322</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		23,222,319	28,441,823
Retained earnings		48,984,963	43,246,229
<b>Total equity</b>		<b>112,287,963</b>	<b>111,768,733</b>
<b>Liabilities</b>			
Employees' end of service benefits		2,123,363	2,064,155
Non-current portion of bank loan	8	14,000,000	-
<b>Total non-current liabilities</b>		<b>16,123,363</b>	<b>2,064,155</b>
Trade payables		1,346,673	2,031,330
Accrued expenses and other liabilities		5,114,323	5,103,777
Current portion of bank loan	8	3,000,000	-
<b>Total current liabilities</b>		<b>9,460,996</b>	<b>7,135,107</b>
<b>Total liabilities</b>		<b>25,584,359</b>	<b>9,199,262</b>
<b>Total equity and liabilities</b>		<b>137,872,322</b>	<b>120,967,995</b>

The condensed consolidated interim financial information consisting of pages 2 to 20 have been approved by the Board of Directors on 7 November 2018 and signed on its behalf by:

  
 Farouk Yousuf Almoayyed  
 Chairman

  
 Garfield Jones  
 Chief Executive Officer


  
 Mohammed Hussain Yateem  
 Director & Chairman of  
 Executive Committee

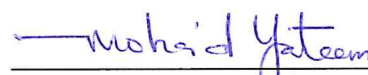
  
 Suresh Surana  
 Chief Financial Officer

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the nine months ended 30 September 2018**

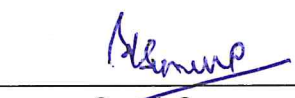
Bahraini Dinars

	note	Nine months ended		Three months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
Revenue		24,825,187	27,545,915	8,225,035	9,160,401
Direct operating costs		(16,061,863)	(17,573,071)	(5,302,569)	(6,058,810)
<b>Gross profit from hotel operations</b>		<b>8,763,324</b>	<b>9,972,844</b>	<b>2,922,466</b>	<b>3,101,591</b>
Dividend income		758,869	827,883	152,026	239,226
Share of profit from associates	7	817,487	1,560,041	353,861	653,021
Interest income		330,963	492,610	13,913	187,616
Impairment loss on investment securities		-	(76,162)	-	(17,503)
Management fee and other income	10	1,723,152	695,885	1,249,199	241,687
<b>Total investment and other income</b>		<b>3,630,471</b>	<b>3,500,257</b>	<b>1,768,999</b>	<b>1,304,047</b>
Depreciation		(3,719,495)	(3,437,454)	(1,478,932)	(1,154,582)
Interest expense	8	(166,600)	-	(166,600)	-
Pre-operating project expenses	9	(1,057,899)	-	(1,057,899)	-
General and administration expenses		(1,710,017)	(1,356,977)	(870,640)	(441,541)
<b>PROFIT FOR THE PERIOD</b>		<b>5,739,784</b>	<b>8,678,670</b>	<b>1,117,394</b>	<b>2,809,515</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (IN FILS)</b>		<b>25</b>	<b>38</b>	<b>5</b>	<b>12</b>

  
 Farouk Yousuf Almoayyed  
 Chairman

  
 Mohammed Hussain Yateem  
 Director & Chairman of  
 Executive Committee

  
 Garfield Jones  
 Chief Executive Officer

  
 Suresh Surana  
 Chief Financial Officer

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the nine months ended 30 September 2018

Bahraini Dinars

	note	Nine months ended		Three months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
<b>Profit for the period</b>		<b>5,739,784</b>	8,678,670	<b>1,117,394</b>	2,809,515
<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		266,674	-	76,796	-
		<b>266,674</b>	-	<b>76,796</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		-	(482,665)	-	(441,059)
Share of fair value reserve of associates	7	28,593	(5,879)	6,655	(1,598)
<b>Other comprehensive income for the period</b>		<b>295,267</b>	(488,544)	<b>83,451</b>	(442,657)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>6,035,051</b>	8,190,126	<b>1,200,845</b>	2,366,858

The condensed consolidated interim financial information consists of pages 2 to 20.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the nine months ended 30 September 2018**

Bahraini Dinars

	Share capital	Share premium	Treasury shares	Other reserves				Retained earnings	Total equity	
				Statutory reserve	General reserve	Charity Reserve	Fair value reserve			Proposed dividend
<b>2018 (reviewed)</b>										
<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	-	-	-	-	-	-	-	-	5,739,784	5,739,784
Other comprehensive income for the period	-	-	-	-	-	-	295,267	-	-	295,267
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	<b>295,267</b>	-	<b>5,739,784</b>	<b>6,035,051</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 September 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>4,684,477</b>	<b>-</b>	<b>48,984,963</b>	<b>112,287,963</b>

The condensed consolidated interim financial information consists of pages 2 to 20.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine months ended 30 September 2018 (Continued)

Bahraini Dinars

	Share Capital	Share premium	Treasury shares	Other reserves				Retained earnings	Total equity	
				Statutory reserve	General reserve	Charity Reserve	Fair value reserve			Proposed dividend
2017 (reviewed and restated)										
As at 1 January as previously stated	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
Impact of prior period adjustment (note 4c)	-	-	-	-	-	2,062,630	-	-	-	2,062,630
Restated balance as at 1 January	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
Comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	-	8,678,670	8,678,670
Other comprehensive income for the period	-	-	-	-	-	-	(488,544)	-	-	(488,544)
Total comprehensive income for the period	-	-	-	-	-	-	(488,544)	-	8,678,670	8,190,126
Transactions with shareholders of the Group:										
- Bonus shares issued	2,054,499	-	-	-	-	-	-	-	(2,054,499)	-
- Cash dividends	-	-	-	-	-	-	-	(5,134,968)	-	(5,134,968)
- Adjustment during the period	-	-	-	-	-	167,165	-	-	-	167,165
Total transactions with owners of Group	2,054,499	-	-	-	-	167,165	-	(5,134,968)	(2,054,499)	(4,967,803)
At 30 September 2017	22,599,487	17,514,442	(33,248)	10,272,494	5,000,000	2,229,795	3,039,249	-	48,692,757	109,314,976

The condensed consolidated interim financial information consists of pages 2 to 20.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the nine months ended 30 September 2018**

Bahraini Dinars

	note	<b>30 September 2018 (reviewed)</b>	30 September 2017 (reviewed)
<b>Cash flow from operating activities</b>			
Profit for the period		<b>5,739,784</b>	8,678,670
Adjustments for:			
Depreciation		3,719,495	3,437,454
Share of profit of associates	7	(817,487)	(1,560,041)
Dividend income		(758,869)	(827,883)
Interest income		(330,963)	(492,610)
Impairment loss of investment security		-	76,162
Provision for allowance for doubtful debts		13,664	14,074
Provision for allowance for slow moving inventories		996	12,102
Provision for employees' end of service benefits		183,663	86,166
<b>Profit for the period after adjustments</b>		<b>7,750,283</b>	9,424,094
<b>Change in operating assets and liabilities:</b>			
Inventories		(204,952)	508,676
Trade and other receivables		140,293	62,643
Trade and other liabilities		(1,998,626)	(672,829)
Directors' remuneration paid		(290,750)	(192,500)
Donations paid		(4,600)	(37,000)
Employees' end of service benefits paid		(124,455)	(342,326)
<b>Net cash from operating activities</b>		<b>5,267,193</b>	8,750,758
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(48,190,543)	(4,628,607)
Purchase of investment securities		-	(126,894)
Disposal of investment securities		357,783	5,456
Return of capital		-	61,795
Interest received		330,963	501,835
Dividend received from an associate	7	1,701,000	1,575,750
Dividend received from investments		758,869	827,883
Maturity of deposits over 90 days		14,906,959	(3,672,679)
<b>Net cash used in investing activities</b>		<b>(30,134,969)</b>	(5,455,461)
<b>Cash flow from financing activities</b>			
Dividends paid	11	(6,591,445)	(5,134,968)
Proceeds from loan	8	17,000,000	-
<b>Net cash from/(used in) financing activities</b>		<b>10,408,555</b>	(5,134,968)
<b>Net decrease in cash and cash equivalents</b>			
		<b>(14,459,221)</b>	(1,839,671)
Cash and cash equivalents at 1 January		19,278,910	11,227,182
<b>Cash and cash equivalents as at 30 September</b>		<b>4,819,689</b>	9,387,511

The condensed consolidated interim financial information consists of pages 2 to 20.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****For the nine months ended 30 September 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 nine months ended 30 September 2018.

The Group owns and operates the Gulf Hotel, Gulf Executive Residence Adliya and Juffair, the Gulf Convention Centre, Gulf Executive Offices, Gulf Court Hotel Business Bay in Dubai, GHG Colombo (retail) in Sri Lanka, 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 is a shareholder and operator of 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 consolidated 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 nine-month period ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2018**

Bahraini Dinars

**4 CHANGE IN ACCOUNTING POLICIES (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 has 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:

	<b>Retained earnings</b>	<b>Other reserves</b>
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 nine months ended 30 September 2018**

Bahraini Dinars

4 CHANGE IN ACCOUNTING POLICIES (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	New carrying amount
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>						
Debt securities	Available-for-sale	FVOCI	364,107	-	-	364,107
Equity securities (Quoted)	Available-for-sale	FVOCI	11,279,690	-	-	11,279,690
Equity securities (Unquoted)	Available-for-sale	FVOCI	710,071	1,260,802	-	1,970,873
Managed funds	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 nine months ended 30 September 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 period, the Group acquired a 4 star hotel in Dubai and incurred other capital expenditure together amounting to BD 48,190,543 (31 December 2017: BD 7,377,567). Capital projects included 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). 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.

The movement in the carrying value of the investment in associates is as follows:

**30 September 2018 (Reviewed)**

	<b>African &amp; Eastern</b>	<b>BFLC</b>	<b>Total</b>
Balance at 1 January 2018	7,835,632	2,074,900	9,910,532
Share of profit/(loss) for the period	1,093,320	(275,833)	817,487
Dividends received	(1,600,000)	(101,000)	(1,701,000)
Share in associates' fair value reserve	28,593	-	28,593
<b>Balance at the end of the period</b>	<b>7,357,545</b>	<b>1,698,067</b>	<b>9,055,612</b>

**30 September 2017 (Reviewed)**

	<b>African &amp; Eastern</b>	<b>BFLC</b>	<b>Total</b>
Balance at 1 January 2017	7,694,862	1,865,079	9,559,941
Share of profit for the period	1,204,499	355,542	1,560,041
Dividends received	(1,500,000)	(75,750)	(1,575,750)
Share in associates' fair value reserve	(5,879)	-	(5,879)
<b>Balance at the end of the period</b>	<b>7,393,482</b>	<b>2,144,871</b>	<b>9,538,353</b>

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**8. BANK LOAN**

The Group has obtained a bank loan of BD 25 million at an interest rate of BIBOR + 2.1% to purchase a 4 star hotel property in Dubai, UAE. The Group has drawn down BD 17 million out of the total amount as at 30 September 2018. Certain properties of the Group are mortgaged to the bank as collateral for the loan.

**9. PRE-OPERATING PROJECT EXPENSES**

Pre-operating project expenses comprise of general and administration expenses of BD 1,057,899 incurred on the Dubai 4 star hotel prior to commencement of operations.

**10. MANAGEMENT FEE AND OTHER INCOME**

Management fee and other income includes reversal of provision of BD 1,000,000 which was created in 2015 for possible liability relating to Crown Plaza Hotel. However based on developments during 2018 and a reassessment by management, this is no provision required.

**11. 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>	2017
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 September 2018.

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**12. 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:

	<b>For the nine-month period ended 30 September 2018</b>				<b>For the nine-month period ended 30 September 2017</b>			
	<b>Purchases</b>	<b>Sales</b>	<b>Management fee income</b>	<b>Share of profit from associates</b>	Purchases	Sales	Management fee income	Share of profit from associates
Major shareholders and their affiliates	264,163	260,512	258,006	-	407,182	160,174	348,383	-
Associates (note 7)	32,573	-	-	817,487	65,066	-	-	1,560,041
Other related parties	-	-	-	-	-	57,949	-	-
	<b>296,736</b>	<b>260,512</b>	<b>258,006</b>	<b>817,487</b>	<b>472,248</b>	<b>218,123</b>	<b>348,383</b>	<b>1,560,041</b>

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*12 RELATED PARTY TRANSACTIONS (continued)*

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

	30 September 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	73,747	195,452	31,463	83,381	252,083	471,726	105,773	16,807
Other related parties	-	136	12,416	-	16,354	-	-	-
	<b>73,747</b>	<b>195,588</b>	<b>43,879</b>	<b>83,381</b>	<b>268,437</b>	<b>471,726</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:

	Nine-month period ended 30 September	
	2018	2017
Salaries and short-term employee benefits	200,145	200,014
Post employment benefits	14,195	14,195
Directors attendance fees and remuneration	241,064	227,197
	<b>455,404</b>	<b>441,406</b>

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

**13. COMMITMENTS AND CONTINGENT LIABILITIES**

	<b>30 September 2018 Reviewed</b>	31 December 2017 Audited
Letter of guarantees	<u><b>6,000</b></u>	<u>64,000</u>

As at 30 September 2018, the Group had commitments of BD 3,722,869 (31 December 2017: BD 4,906,425) relating to the development of Gulf Residence Juffair, warehouse in Askar and renovation of the Gulf Convention Centre.

**14. 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

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**14 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 September 2018***Fair value through other comprehensive income:*

Debt securities  
Equity securities  
Unquoted equity securities

	Level 1	Level 2	Level 3	Total
Debt securities	179,984	-	-	179,984
Equity securities	11,513,368	-	-	11,513,368
Unquoted equity securities	-	-	1,970,873	1,970,873
	<b>11,693,352</b>	<b>-</b>	<b>1,970,873</b>	<b>13,664,225</b>

**31 December 2017***Fair value through other comprehensive income:*

Debt securities  
Equity securities  
Unquoted equity securities  
Managed Funds

	Level 1	Level 2	Level 3	Total
Debt securities	364,107	-	-	364,107
Equity securities	11,279,690	-	-	11,279,690
Unquoted equity securities	-	-	710,071	710,071
Managed Funds	-	139,614	-	139,614
	<b>11,643,797</b>	<b>139,614</b>	<b>710,071</b>	<b>12,493,482</b>

**15. 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.

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*15 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 September</b>								
Gross operating revenue	2,313,234	2,561,561	5,911,801	6,598,840	-	-	8,225,035	9,160,401
Gross operating costs	(1,229,157)	(1,893,883)	(4,073,412)	(4,164,927)	-	-	(5,302,569)	(6,058,810)
Gross operating profit	<b>1,084,077</b>	667,678	<b>1,838,389</b>	2,433,913	-	-	<b>2,922,466</b>	3,101,591
Investment income	-	-	-	-	505,887	874,744	505,887	874,744
Interest income	-	-	-	323	13,913	187,293	13,913	187,616
Management fee and other income	55,878	43,156	3,242	24,847	1,190,079	173,684	1,249,199	241,687
Depreciation	(941,094)	(852,182)	(532,476)	(315,360)	(5,362)	12,960	(1,478,932)	(1,154,582)
Interest expense	-	-	-	-	(166,600)	-	(166,600)	-
Pre-operating project expenses	(1,057,899)	-	-	-	-	-	(1,057,899)	-
General and administration expenses	(418,743)	(11,290)	-	(5,279)	(451,897)	(424,972)	(870,640)	(441,541)
Segment profit for the period	<b>(1,277,781)</b>	(152,638)	<b>1,309,155</b>	2,138,444	<b>1,086,020</b>	823,709	<b>1,117,394</b>	2,809,515

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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## 15 SEGMENT INFORMATION (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Nine-month ended 30 September</b>								
Gross operating revenue	6,809,070	7,686,630	18,016,117	19,859,285	-	-	24,825,187	27,545,915
Gross operating costs	(4,082,011)	(4,916,776)	(11,979,852)	(12,656,295)	-	-	(16,061,863)	(17,573,071)
Gross operating profit	<b>2,727,059</b>	2,769,854	<b>6,036,265</b>	7,202,990	-	-	<b>8,763,324</b>	9,972,844
Investment income	-	-	-	-	1,576,356	2,311,762	1,576,356	2,311,762
Interest income	-	-	-	979	330,963	491,631	330,963	492,610
Management fee and other income	127,344	122,016	27,397	59,741	1,568,411	514,128	1,723,152	695,885
Depreciation	(2,341,745)	(2,513,390)	(1,362,405)	(924,064)	(15,345)	-	(3,719,495)	(3,437,454)
Interest expense	-	-	-	-	(166,600)	-	(166,600)	-
Pre-operating expenses	(1,057,899)	-	-	-	-	-	(1,057,899)	-
General and administration expenses	(449,127)	(33,574)	-	(15,717)	(1,260,890)	(1,307,686)	(1,710,017)	(1,356,977)
Segment profit for the period	<b>(994,368)</b>	344,906	<b>4,701,257</b>	6,323,929	<b>2,032,895</b>	2,009,835	<b>5,739,784</b>	8,678,670

	Hotel room operations		Food and beverage		Investment and other activities		Total	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Total assets	<b>72,192,551</b>	68,210,415	<b>41,054,080</b>	30,902,302	<b>24,625,691</b>	21,855,278	<b>137,872,322</b>	120,967,995
Total liabilities	<b>5,963,926</b>	3,098,710	<b>1,743,888</b>	4,373,345	<b>17,876,545</b>	1,727,207	<b>25,584,359</b>	9,199,262
Capital expenditure	<b>41,495,858</b>	4,918,378	<b>857,245</b>	2,459,189	<b>5,837,440</b>	-	<b>48,190,543</b>	7,377,567

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
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**16. 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.