

Gulf Hotels Group B.S.C.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
30 September 2019**

Gulf Hotels Group B.S.C.

**Condensed consolidated interim financial information
for the nine months ended 30 September 2019**

CONTENTS	Page
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated interim financial information	
Condensed consolidated statement of financial position	2
Condensed consolidated statement of profit or loss	3
Condensed consolidated statement of comprehensive income	4
Condensed consolidated statement of changes in equity	5 - 6
Condensed consolidated statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 - 19



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1

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

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

22 October 2019

Introduction

We have reviewed the accompanying 30 September 2019 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 2019;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2019; 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

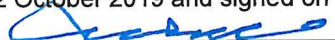
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2019


Bahraini Dinars


	note	30 September 2019 (reviewed)	31 December 2018 (audited)
ASSETS			
Property and equipment	6	98,741,826	102,538,484
Investment properties		835,108	797,676
Equity accounted investees	7	8,811,884	9,563,532
Investment securities		13,368,885	13,870,550
Total non-current assets		121,757,703	126,770,242
Inventories		3,451,560	3,439,004
Trade receivables		1,839,996	1,950,625
Other assets		3,805,170	2,884,172
Cash and bank deposits		4,005,452	6,600,498
Total current assets		13,102,178	14,874,299
Total assets		134,859,881	141,644,541
EQUITY AND LIABILITIES			
Equity			
Share capital		22,599,487	22,599,487
Share premium		17,514,442	17,514,442
Treasury shares		-	(33,248)
Other reserves		24,814,658	23,437,131
Retained earnings		48,310,785	50,166,694
Total equity		113,239,372	113,684,506
Liabilities			
Employees' end of service benefits		1,581,816	2,137,984
Non-current portion of bank loan		12,560,000	14,000,000
Total non-current liabilities		14,141,816	16,137,984
Trade payables		1,967,971	2,063,973
Accrued expenses and other payables		5,510,722	5,758,078
Current portion of bank loan		-	4,000,000
Total current liabilities		7,478,693	11,822,051
Total liabilities		21,620,509	27,960,035
Total equity and liabilities		134,859,881	141,644,541

The condensed consolidated interim financial information was approved by the Board of Directors on 22 October 2019 and signed on its behalf by:


 Farouk Yousuf Almoayyed
 Chairman


 Garfield Jones
 Chief Executive Officer


 Mohammed Hussain Yateem
 Director & Chairman
 Executive Committee



 Charbel Sarkis
 Chief Financial Officer

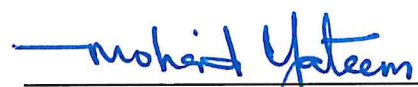
The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the nine months ended 30 September 2019

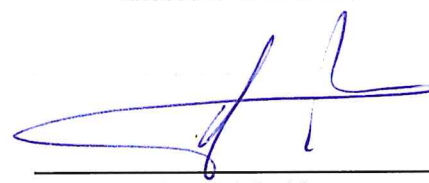
Bahraini Dinars

	Nine months ended 30 September		Three months ended 30 September	
	2019 (reviewed)	2018 (reviewed)	2019 (reviewed)	2018 (reviewed)
HOTEL OPERATIONS				
Revenue	28,114,449	24,825,187	9,295,023	8,225,035
Operating costs	(18,994,553)	(16,061,863)	(6,453,660)	(5,302,569)
Gross operating profit	9,119,896	8,763,324	2,841,363	2,922,466
INVESTMENT ACTIVITIES				
Dividend income	787,374	758,869	214,467	152,026
Management fee and other income	974,642	1,723,152	390,051	1,249,199
Share of profit from associates	1,102,170	817,487	550,686	353,861
Interest income	71,340	330,963	9,507	13,913
Income from investment activities	2,935,526	3,630,471	1,164,711	1,768,999
Depreciation	(5,668,480)	(3,719,495)	(1,927,018)	(1,478,932)
Interest expense	(724,142)	(166,600)	(241,296)	(166,600)
Pre-operating project expenses	(134,486)	(1,057,899)	-	(1,057,899)
Other operating expenses	(1,312,178)	(1,710,017)	(410,211)	(870,640)
PROFIT FOR THE PERIOD	4,216,136	5,739,784	1,427,549	1,117,394
BASIC AND DILUTED EARNINGS PER SHARE (IN FILS)	19	25	6	5


Farouk Yousuf Almoayyed
Chairman


Mohammed Hussain Yateem
Director & Chairman
Executive Committee


Garfield Jones
Chief Executive Officer


Charbel Sarkis
Chief Financial Officer

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2019

Bahraini Dinars

	note	Nine months ended 30 September		Three months ended 30 September	
		2019 (reviewed)	2018 (reviewed)	2019 (reviewed)	2018 (reviewed)
Profit for the period		4,216,136	5,739,784	1,427,549	1,117,394
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss:</i>					
Equity investment securities at FVOCI – net change in fair value		2,043,841	266,674	312,234	76,796
Investment in associates – share in investment fair value movement	7	46,182	28,593	(6,797)	6,655
Total other comprehensive income for the period		2,090,023	295,267	305,437	83,451
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,306,159	6,035,051	1,732,986	1,200,845

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019

Bahraini Dinars

	Share capital	Share premium	Treasury shares	Other reserves			Retained earnings	Total equity	
				Statutory reserve	General reserve	Charity reserve			Fair value reserve
2019 (reviewed)									
As at 1 January 2019	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	4,899,289	50,166,694	113,684,506
Comprehensive income for the period:									
Profit for the period	-	-	-	-	-	-	-	4,216,136	4,216,136
Other comprehensive income for the period	-	-	-	-	-	-	2,090,023	-	2,090,023
Total comprehensive income for the period	-	-	-	-	-	-	2,090,023	4,216,136	6,306,159
Transfer on sale of investment securities	-	-	-	-	-	-	(702,406)	702,406	-
Sale of treasury shares	-	-	33,248	-	-	-	(3,708)	3,708	33,248
Donations paid	-	-	-	-	-	(6,382)	-	-	(6,382)
Transactions with shareholders of the Group:									
- Dividends declared for 2018	-	-	-	-	-	-	-	(6,778,159)	(6,778,159)
At 30 September 2019	22,599,487	17,514,442	-	11,299,744	5,000,000	2,231,716	6,283,198	48,310,785	113,239,372

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019 (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
2018 (reviewed)										
As at 31 December 2017	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)	-
Restated balances as at 1 January 2018	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
Comprehensive income for the period:										
Profit for the period	-	-	-	-	-	-	-	-	5,739,784	5,739,784
Other comprehensive income for the period	-	-	-	-	-	-	295,267	-	-	295,267
Total comprehensive income for the period	-	-	-	-	-	-	295,267	-	5,739,784	6,035,051
Transfer on disposal of investment security	-	-	-	-	-	-	(41,793)	-	41,793	-
Transactions with shareholders of the Group:										
- Dividends declared for 2017	-	-	-	-	-	-	-	(6,776,623)	-	(6,776,623)
At 30 September 2018	22,599,487	17,514,442	(33,248)	11,299,744	5,000,000	2,238,098	4,684,477	-	48,984,963	112,287,963

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2019

Bahraini Dinars

	note	30 September 2019 (reviewed)	30 September 2018 (reviewed)
Cash flow from operating activities			
Profit for the period		4,216,136	5,739,784
Adjustments for:			
Depreciation		5,668,480	3,719,495
Share of profit of associates	7	(1,102,170)	(817,487)
Dividend income		(787,374)	(758,869)
Interest income		(71,340)	(330,963)
Interest expense		724,142	-
Impairment allowance for receivables		10,663	13,664
Provision for allowance for slow-moving inventories		7,832	996
Provision for employees' end of service benefits		235,362	183,663
Profit for the period after adjustments		8,901,731	7,750,283
Change in operating assets and liabilities:			
Inventories		(20,389)	(204,952)
Trade and other receivables		(810,839)	140,293
Trade and other payables		(159,327)	(1,998,626)
Directors' remuneration and fees paid		(247,000)	(290,750)
Employees' end of service benefits and other expenses paid		(791,530)	(124,455)
Net cash from operating activities		6,872,646	5,271,793
Cash flow from investing activities			
Purchase of property and equipment		(2,067,105)	(48,190,543)
Disposal of property and equipment		157,853	-
Disposal of investment securities		2,537,581	357,783
Interest received		71,340	330,963
Dividend received from an associate	7	1,900,000	1,701,000
Other dividend received		787,374	758,869
Maturity of deposits over 90 days		-	14,906,959
Net cash from / (used in) investing activities		3,387,043	(30,134,969)
Cash flow from financing activities			
Dividends paid		(6,677,518)	(6,591,445)
Repayment of bank loan		(5,440,000)	-
Donations paid		(36,247)	(4,600)
Sale of treasury shares		23,055	-
Interest paid		(724,025)	-
Loan availed		-	17,000,000
Net cash (used in) / from financing activities		(12,854,735)	10,403,955
Net decrease in cash and cash equivalents			
		(2,595,046)	(14,459,221)
Cash and cash equivalents at 1 January		6,024,549	19,278,910
Cash and cash equivalents as at 30 September		3,429,503	4,819,689

The accompanying notes 1 to 13 are an integral part of the condensed consolidated interim financial information.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019**

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 2019.

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 Hotel Bahrain S.P.C. ("BTC"), Gulf Hotels Laundry Services, 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 2018, except for the effects of adoption of IFRS 16 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 2018.

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 Group's audited consolidated financial statements for the year ended 31 December 2018 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 2018.

(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 2018, except for the changes arising from adoption of IFRS 16.

(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 2018, except for the changes arising from adoption of IFRS 16.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019**

Bahraini Dinars

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in this condensed consolidated interim financial information are the same as those applied in the Group's audited consolidated financial statements as at and for the year ended 31 December 2018. The changes in accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

4. CHANGE IN ACCOUNTING POLICIES**(a) Adoption of IFRS 16**

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – ie. It is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

I. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the new definition of a lease.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

II. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group has elected not to recognise right-of-use assets and lease liability for some leases of low value assets and to some short term leases. For leases of other assets, which were classified as operating under IAS 17, the Group recognised right-of-use assets and lease liabilities.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019**

Bahraini Dinars

4. CHANGE IN ACCOUNTING POLICIES (continued)**Significant accounting policies**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group has applied this approach to all leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

III. As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

(b) Impact of adopting IFRS 16

On transition to IFRS 16, the Group recognised BD 140,398 of right-of-use assets in property and equipment and BD 140,398 of lease liabilities in accrued expenses and other payables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

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 results.

6. PROPERTY AND EQUIPMENT

During the nine-month period ended 30 September 2019, the Group incurred capital expenditure amounting to BD 2,067,105 (30 September 2018: BD 48,190,543) on its various projects.

7. EQUITY ACCOUNTED INVESTEEES

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

30 September 2019 (Reviewed)

	African & Eastern	BFLC	Total
Balance at 1 January 2019	7,880,419	1,683,113	9,563,532
Share of profit/(loss) for the period	1,469,635	(367,465)	1,102,170
Dividends received	(1,900,000)	-	(1,900,000)
Share in investment fair value movement	46,182	-	46,182
Balance at the end of the period	7,496,236	1,315,648	8,811,884

30 September 2018 (Reviewed)

	African & Eastern	BFLC	Total
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 investment fair value movement	28,593	-	28,593
Balance at the end of the period	7,357,545	1,698,067	9,055,612

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**for the nine months ended 30 September 2019**

Bahraini Dinars

8. APPROPRIATIONS

The Shareholders approved the following appropriations for 2018 in their Annual General Meeting held on 11 March 2019 that were effected during the period:

	2019	2018
Cash dividends	6,778,159	6,776,623

At the annual general meeting of the shareholders held on 11 March 2019, the shareholders of the Company resolved to distribute cash dividend of 30 fils per share totaling BD 6,778,159 for the year 2018 (2017: 30 fils per share totaling BD 6,776,623 for the year 2017). Unpaid dividends as at 30 September 2019 are included within accrued expenses and other payables in the interim consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

Bahraini Dinars

9. 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 nine-month period ended 30 September 2019						For the nine-month period ended 30 September 2018					
	Operating cost	Revenue	Management fee income	Interest expense	Share of profit from associates	Dividends received	Operating Cost	Revenue	Management fee income	Interest expense	Share of profit from associates	Dividends received
Major shareholders and their affiliates	1,321,245	186,575	309,568	724,142	-	-	264,163	260,512	258,006	166,600	-	-
Associates (note 7)	417,288	47,313	-	-	1,102,170	1,900,000	32,573	-	-	-	817,487	1,701,000
Directors and related affiliates	-	27,709	-	-	-	-	-	-	-	-	-	-
	1,738,533	261,597	309,568	724,142	1,102,170	1,900,000	296,736	260,512	258,006	166,600	817,487	1,701,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

Bahraini Dinars

9 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2019				31 December 2018			
	Trade receivables	Other receivables	Trade payables	Bank loan	Trade receivables	Other receivables	Trade payables	Bank loan
Major shareholders and their affiliates	90,942	174,073	57,978	12,560,000	84,538	179,486	64,631	18,000,000
Associates	21,762	-	48,740	-	-	-	-	-
Directors and related affiliates	10,446	-	-	-	18,722	-	-	-
	123,150	174,073	106,718	12,560,000	103,260	179,486	64,631	18,000,000

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	
	2019	2018
Salaries and short-term employee benefits	203,846	200,145
Post employment benefits	12,143	14,195
Directors attendance fees and remuneration	207,450	241,064
Directors' remuneration and fees paid	247,000	290,750
	670,439	746,154

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019**

Bahraini Dinars

9 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 2019, the Group has not recorded any impairment of amounts owed by related parties (nine-month period ended 30 September 2018: nil and year ended 31 December 2018: nil).

10. COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2019 Reviewed	31 December 2018 Audited
Letter of guarantees	<u>28,223</u>	<u>77,639</u>

As at 30 September 2019, the Group had commitments of BD 835,011 (2018: BD 1,844,025) relating to their capital projects.

11. FAIR VALUES

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 nine months ended 30 September 2019

Bahraini Dinars

11 FAIR VALUES(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 2019	Level 1	Level 2	Level 3	Total
Equity securities at FVOCI	10,843,555	-	2,525,330	13,368,885
	10,843,555	-	2,525,330	13,368,885

31 December 2018	Level 1	Level 2	Level 3	Total
Debt securities at FVOCI	187,697	-	-	187,697
Equity securities at FVOCI	11,711,979	-	1,970,874	13,682,853
	11,899,676	-	1,970,874	13,870,550

12. SEGMENTAL INFORMATION FOR OPERATING SEGMENTS

For management purposes, the Group is organized into four main business segments:

Hotel operations - Hotel room and rental and management of executive apartments and offices and provisioning of automatic laundry services.

Food and beverage - Retail sale of food and beverages and convention operations.

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 substantially in the Kingdom of Bahrain.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

Bahraini Dinars

12 SEGMENT INFORMATION (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Three-month ended 30 September								
Gross operating revenue	3,189,462	2,313,234	6,105,561	5,911,801	-	-	9,295,023	8,225,035
Gross operating costs	(2,924,210)	(1,229,157)	(3,529,450)	(4,073,412)	-	-	(6,453,660)	(5,302,569)
Gross operating profit	265,252	1,084,077	2,576,111	1,838,389	-	-	2,841,363	2,922,466
Investment income	-	-	-	-	765,153	505,887	765,153	505,887
Interest income	-	-	-	-	9,507	13,913	9,507	13,913
Management fee and other income	135,240	55,878	3,786	3,242	251,025	1,190,079	390,051	1,249,199
Depreciation	(1,134,275)	(941,094)	(645,769)	(532,476)	(146,974)	(5,362)	(1,927,018)	(1,478,932)
Interest expense	-	-	-	-	(241,296)	(166,600)	(241,296)	(166,600)
Pre-operating project expenses	-	(1,057,899)	-	-	-	-	-	(1,057,899)
General and administration expenses	(403)	(418,743)	-	-	(409,808)	(451,897)	(410,211)	(870,640)
Segment profit for the period	(734,186)	(1,277,781)	1,934,128	1,309,155	227,607	1,086,020	1,427,549	1,117,394

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019

Bahraini Dinars

12 SEGMENT INFORMATION (continued)

	Hotel room operations		Food and beverage		Investment and other activities		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Nine-month ended 30 September								
Gross operating revenue	9,316,262	6,809,070	18,798,187	18,016,117	-	-	28,114,449	24,825,187
Gross operating costs	(8,096,409)	(4,082,011)	(10,898,144)	(11,979,852)	-	-	(18,994,553)	(16,061,863)
Gross operating profit	1,219,853	2,727,059	7,900,043	6,036,265	-	-	9,119,896	8,763,324
Investment income	-	-	-	-	1,889,544	1,576,356	1,889,544	1,576,356
Interest income	-	-	-	-	71,340	330,963	71,340	330,963
Management fee and other income	279,583	127,344	10,923	27,397	684,136	1,568,411	974,642	1,723,152
Depreciation	(3,311,924)	(2,341,745)	(1,915,061)	(1,362,405)	(441,495)	(15,345)	(5,668,480)	(3,719,495)
Interest expense	-	-	-	-	(724,142)	(166,600)	(724,142)	(166,600)
Pre-operating expenses	-	(1,057,899)	-	-	(134,486)	-	(134,486)	(1,057,899)
General and administration expenses	(229,880)	(449,127)	-	-	(1,082,298)	(1,260,890)	(1,312,178)	(1,710,017)
Segment profit for the period	(2,042,368)	(994,368)	5,995,905	4,701,257	262,599	2,032,895	4,216,136	5,739,784

	Hotel room operations		Food and beverage		Investment and other activities		Total	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Total assets	70,537,803	73,538,170	40,212,868	42,039,292	24,109,210	26,067,079	134,859,881	141,644,541
Total liabilities	5,629,391	6,399,498	1,681,474	1,736,371	14,309,644	19,824,166	21,620,509	27,960,035
Capital expenditure	1,360,621	41,495,858	127,959	857,245	578,525	5,837,440	2,067,105	48,190,543

*Comparative for capital expenditure is for the period ended 30 September 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2019 Bahraini Dinars

13. COMPARATIVES

The corresponding figures have been regrouped where necessary to confirm to the current period's presentation. Such regroupings did not affect previously reported net profit for the period, comprehensive income or total equity.