

Gulf Hotels Group B.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2016

REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF GULF HOTELS GROUP B.S.C.

Report on the interim condensed consolidated financial statements

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 31 March 2016, comprising of the interim consolidated statement of financial position as at 31 March 2016 and the related interim consolidated statement of income, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-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.

13 April 2016


Manama, Kingdom of Bahrain

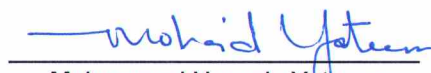
Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION


At 31 March 2016 (Reviewed)

	Note	31 March 2016 Reviewed BD	31 December 2015 Audited BD
ASSETS			
Non-current assets			
Property, plant and equipment	7	44,729,738	45,223,142
Investment in an associate	8	1,596,113	1,821,415
Available-for-sale investments	9	6,815,967	7,093,780
		53,141,818	54,138,337
Current assets			
Trading investments	10	580,535	570,350
Inventories		2,898,948	3,187,651
Trade and other receivables		2,599,735	2,600,631
Cash and bank balances	11	20,467,993	22,005,920
		26,547,211	28,364,552
TOTAL ASSETS		79,689,029	82,502,889
EQUITY AND LIABILITIES			
Equity			
Share capital		17,360,544	17,360,544
Statutory reserve		8,680,272	8,680,272
General reserve		5,000,000	5,000,000
Available-for-sale investments reserve		3,114,831	3,298,835
Proposed dividend		-	5,208,163
Retained earnings		35,399,399	32,663,056
Total equity		69,555,046	72,210,870
Non-current liability			
Employees' end of service benefits		2,010,249	1,985,766
Current liability			
Trade and other payables		8,123,734	8,306,253
Total liabilities		10,133,983	10,292,019
TOTAL EQUITY AND LIABILITIES		79,689,029	82,502,889


 Farouk Yousuf Almoayyed
 Chairman


 Mohammed Hussain Yateem
 Director & Chairman
 Executive Committee


 Aqeel Raees
 Chief Executive Officer
 & Director


 Suresh Surana
 Chief Financial Officer

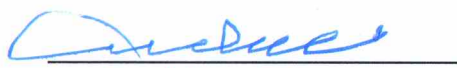
The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

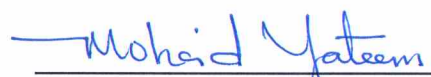
Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME


For the three-month period ended 31 March 2016 (Reviewed)

	Note	Three-month period ended 31 March	
		2016 BD	2015 BD
Gross operating revenue		8,578,352	8,795,225
Gross operating costs		(4,678,166)	(5,042,643)
GROSS OPERATING PROFIT		3,900,186	3,752,582
Net investment income:			
Share of (loss) profit of an associate	8 & 13	(225,302)	143,391
Dividend income	6	136,676	182,712
Gain (loss) on trading investments		10,185	(8,735)
Impairment loss on available-for-sale investments	9	(93,809)	(42,002)
Interest income		73,150	68,413
Other income		158,334	173,789
		59,234	517,568
Depreciation		(788,743)	(757,841)
Charity reserve expense		(67,950)	(71,130)
General and administration expenses		(366,384)	(329,466)
PROFIT FOR THE PERIOD		2,736,343	3,111,713
BASIC AND DILUTED EARNINGS PER SHARE (IN FILS)	3	16	18


 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 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2016 (Reviewed)

	Note	<i>Three-month period ended 31 March</i>	
		2016	2015
		BD	BD
Net profit for the period		2,736,343	3,111,713
Other comprehensive (loss) income			
Net movement in fair valuation of available-for-sale investments to be reclassified to consolidated statement of income in subsequent periods	9	(184,004)	233,161
Other comprehensive (loss) income for the period		(184,004)	233,161
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,552,339	3,344,874

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2016 (Reviewed)

	<i>Note</i>	<i>Share capital BD</i>	<i>Statutory reserve BD</i>	<i>General reserve BD</i>	<i>Available- for-sale investments reserve BD</i>	<i>Proposed dividend BD</i>	<i>Retained earnings BD</i>	<i>Total BD</i>
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		-	-	-	-	-	2,736,343	2,736,343
Other comprehensive loss	9	-	-	-	(184,004)	-	-	(184,004)
Total comprehensive (loss) income		-	-	-	(184,004)	-	2,736,343	2,552,339
Dividends declared	4	-	-	-	-	(5,208,163)	-	(5,208,163)
Balance at 31 March 2016		17,360,544	8,680,272	5,000,000	3,114,831	-	35,399,399	69,555,046
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		-	-	-	-	-	3,111,713	3,111,713
Other comprehensive income		-	-	-	233,161	-	-	233,161
Total comprehensive income		-	-	-	233,161	-	3,111,713	3,344,874
Issue of bonus shares	4	826,693	-	-	-	-	(826,693)	-
Dividends declared	4	-	-	-	-	(6,613,540)	-	(6,613,540)
Balance at 31 March 2015		17,360,544	8,266,926	5,000,000	3,390,402	-	32,199,189	66,217,061

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2016 (Reviewed)

	Note	Three-month period ended 31 March	
		2016 BD	2015 BD
OPERATING ACTIVITIES			
Profit for the period		2,736,343	3,111,713
Adjustments for:			
Depreciation		788,743	757,841
Share of (loss) profit of an associate	8 & 13	225,302	(143,391)
Dividend income	6	(136,676)	(182,712)
Interest income		(73,150)	(68,413)
(Gain) loss on trading investments		(10,185)	8,735
Impairment loss of available-for-sale investments	9	93,809	42,002
Provision for allowance for doubtful debts		3,300	4,800
(Reversal of) provision for allowance for slow moving inventories		(4,902)	5,700
Provision for employees' end of service benefits		32,950	52,858
Operating profit before working capital changes		3,655,534	3,589,133
Working capital changes:			
Inventories		293,605	38,361
Trade and other receivables		(49,329)	(15,937)
Trade and other payables		(1,325,171)	(580,587)
Net cash from operations		2,574,639	3,030,970
Directors' remuneration paid		(205,000)	(180,000)
Donations paid		(17,400)	(2,760)
Employees' end of service benefits paid		(8,467)	(18,361)
Net cash from operating activities		2,343,772	2,829,849
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(915,735)	(1,354,706)
Dividend income received		136,676	182,712
Interest received		120,075	161,848
Term deposits with a maturity of more than three months		1,237,943	5,041,184
Net cash from investing activities		578,959	4,031,038
FINANCING ACTIVITY			
Dividend and cash used in financing activity	4	(5,208,163)	(6,613,540)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,285,432)	247,347
Cash and cash equivalents at 1 January	11	4,286,179	2,261,145
CASH AND CASH EQUIVALENTS AT 31 MARCH	11	2,000,747	2,508,492

Non-cash items:

Liabilities towards acquisition of property, plant and equipment to the extent of BD 961,631 (31 March 2015: BD 1,061,725) with a net decrease of BD 620,396 (31 March 2015: increase of BD 49,330) were not settled as of the date of the interim consolidated statement of financial position.

Interest income of BD 102,634 (31 March 2015: BD 46,753) which has been accrued but is not yet due with a net decrease of BD 46,925 (31 March 2015: BD 93,435) has been included in trade and other receivables.

Unclaimed dividends pertaining to prior years amounting to BD 2,135,286 (31 March 2015: BD 6,804,742) with a net increase of BD 1,985,448 (31 March 2015: BD 6,610,000) have been excluded from the movement in trade and other payables.

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

1 ACTIVITIES

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 Court Manama, Asdal Gulf-inn Seef and Gulf Residence Amwaj, Kingdom of Bahrain, and to Ocean Paradise Resort, Zanzibar, Republic of Tanzania.

Information on the Group's structure is provided below. Information on related party relationships of the Group is provided in note 13.

<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 aircraft, 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.

<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.

The interim condensed consolidated financial statements of Gulf Hotels Group B.S.C. and its subsidiaries (collectively, the Group) for the three-month period ended 31 March 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 13 April 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

2 ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements for the three-month period ended 31 March 2016 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting".

The interim condensed 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 three-month period ended 31 March 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 adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new 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 amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments did not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

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.

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 interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

2 ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

- 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; and
- IAS 19 - Employee Benefits.

3 EARNINGS PER SHARE

	<i>Three-month period ended 31 March</i>	
	2016	2015
Profit for the period – BD	2,736,343	3,111,713
Weighted average number of shares outstanding	173,605,436	173,605,436
Basic and diluted earnings per share – fils	16	18

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.

4 DIVIDENDS

At the annual general meeting of the shareholders held on 17 February 2016, the shareholders of the Company resolved to distribute 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 31 March 2016.

5 COMMITMENTS

Capital expenditure contracted for at the statement of financial position date but not provided for, relating to the Gulf Hotel, amounted to BD 11,106,191 (31 December 2015: BD 11,502,205).

6 SEASONALITY OF RESULTS

Dividend income of BD 136,676 during the three-month period ended 31 March 2016 is of a seasonal nature (three-month period ended 31 March 2015: BD 182,712).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

7 PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended 31 March 2016, the Group incurred capital expenditure amounting to BD 295,339 (year ended 31 December 2015: BD 7,333,967) on its various capital expenditure projects including the upgrade of information technology systems and refurbishment of tower block and awal ball room.

8 INVESTMENT IN AN ASSOCIATE

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

	31 March 2016 Reviewed BD	<i>31 December 2015 Audited BD</i>
Balance at 1 January	1,821,415	2,120,508
Share of loss during the period / year	(225,302)	(299,093)
Carrying value	1,596,113	1,821,415
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 BFLC for the three month period ended 31 March 2016, the Group has recognised loss of BD 225,302 representing their 28.06% share (three months period ended 31 March 2015: profit of BD 143,391).

The associate had no contingent liabilities or capital commitments as at 31 March 2016 (31 December 2015: none).

9 AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2016 Reviewed BD	<i>31 December 2015 Audited BD</i>
Equity investments:		
Quoted investments originally trading investments (at fair value)*	1,424,857	1,646,231
Quoted investments (at fair value)	4,805,044	4,861,483
Unquoted investments (at cost less impairment)	586,066	586,066
	6,815,967	7,093,780

The unquoted 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 31 March 2016, the cumulative impairment provision on unquoted investments amounted to BD 140,233 (31 December 2015: BD 140,233). No impairment provision was provided for the three-month period ended 31 March 2016 and 31 March 2015.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

9 AVAILABLE-FOR-SALE INVESTMENTS (continued)

The movement in the quoted available for sale investments for the period is as follows:

	31 March 2016 Reviewed BD	<i>31 December 2015 Audited BD</i>	<i>31 March 2015 Reviewed BD</i>
Opening balance	6,507,714	6,601,213	6,601,213
Fair value (loss) gain on available-for-sale investments - net	(184,004)	141,594	233,161
Impairment	(93,809)	(235,093)	(42,002)
Closing balance (note 10)	6,229,901	6,507,714	6,792,372

* 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 current 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 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 reclassified investments is BD 1,153,072 as of 31 March 2016 (31 December 2015: BD 1,153,072).

As at 31 March 2016 the carrying and fair value of reclassified investments is BD 1,424,857 (31 December 2015: BD 1,646,231). During the three-month period ended 31 March 2016, the Group has not recognised any fair value adjustment (three-month period ended 31 March 2015: nil) in the interim consolidated statement of income and recognised a fair value loss of BD 221,374 (three-month period ended 31 March 2015: BD 30,468) 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 221,374 for the period (three-month period ended 31 March 2015: BD 30,468) in the interim consolidated statement of income.

All available-for-sale investments valued at fair value and trading investments were valued under Level 1 fair value hierarchy, there were no financial instruments which were fair valued under Level 2 and Level 3 fair value hierarchy (note 10).

10 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:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

10 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	31 March 2016		31 December 2015	
	Reviewed		Audited	
	Carrying amount	Fair value	Carrying amount	Fair value
	BD	BD	BD	BD
Financial assets:				
Quoted available-for-sale investments (note 9)	6,229,901	6,229,901	6,507,714	6,507,714
Trading investments	580,535	580,535	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.

Fair value hierarchy

The Group held the following Level 1 financial instruments, measured at fair value (equity instruments):

	31 March 2016	31 December 2015
	Reviewed	Audited
	BD	BD
Available-for-sale equity securities	6,229,901	6,507,714
Trading investments	580,535	570,350
	6,810,436	7,078,064

There were no transfers between levels during the current or prior periods. Unquoted investments are carried at cost less impairment and are not included in the above table.

11 CASH AND BANK BALANCES

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

	31 March 2016	31 December 2015	31 March 2015
	Reviewed	Audited	Reviewed
	BD	BD	BD
Cash on hand, bank balances and term deposits	20,467,993	22,005,920	24,292,389
Term deposits with an original maturity of more than three months	(16,331,960)	(17,569,903)	(14,979,155)
Bank balances representing unclaimed dividends	(2,135,286)	(149,838)	(6,804,742)
Cash and cash equivalents as per interim consolidated statement of cash flows	2,000,747	4,286,179	2,508,492

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

12 SEGMENT INFORMATION

For management purposes, the Group is organised 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. |
| Commercial activities | - Import, export and sale of kitchen and household equipment and interior decorations. |

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.

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 consolidated financial statements.

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.

Gulf Hotels Group B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

12 SEGMENT INFORMATION (continued)

<i>Three-month ended 31 March</i>	<i>Hotel room operations</i>		<i>Food and beverage</i>		<i>Commercial activities</i>		<i>Investment and other activities</i>		<i>Consolidated</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Gross operating revenue	2,126,132	2,148,211	6,442,590	6,636,663	9,630	10,351	-	-	8,578,352	8,795,225
Gross operating costs	(1,001,192)	(958,204)	(3,674,421)	(4,075,351)	(2,553)	(9,088)	-	-	(4,678,166)	(5,042,643)
Gross operating profit	1,124,940	1,190,007	2,768,169	2,561,312	7,077	1,263	-	-	3,900,186	3,752,582
Investment (loss) income	-	-	-	-	-	-	(172,250)	275,366	(172,250)	275,366
Interest income	-	-	-	668	-	-	73,150	67,745	73,150	68,413
Other income	42,237	56,224	17,733	9,637	200	-	98,164	107,928	158,334	173,789
Depreciation	(501,215)	(484,472)	(287,507)	(273,100)	(21)	(269)	-	-	(788,743)	(757,841)
Charity reserve expense	-	-	-	-	-	-	(67,950)	(71,130)	(67,950)	(71,130)
Other expenses	(11,173)	(14,475)	(5,587)	(7,238)	(3,710)	(10,295)	(345,914)	(297,458)	(366,384)	(329,466)
Segment profit (loss) for the period	654,789	747,284	2,492,808	2,291,279	3,546	(9,301)	(414,800)	82,451	2,736,343	3,111,713

	<i>Hotel room operations</i>		<i>Food and beverage</i>		<i>Commercial activities</i>		<i>Investment and other activities</i>		<i>Consolidated</i>	
	<i>31 March 2016</i>	<i>31 December 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>	<i>31 March 2016</i>	<i>31 December 2015</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Total assets	43,515,417	44,659,494	26,986,015	28,176,380	80,033	66,521	9,107,564	9,600,494	79,689,029	82,502,889
Total liabilities	6,109,424	5,482,480	4,000,106	4,795,051	24,453	14,488	-	-	10,133,983	10,292,019
Capital expenditure	196,893	4,889,311	98,446	2,444,656	-	-	-	-	295,339	7,333,967

Inter segment transactions between hotel room operations, food and beverages and commercial activities amounting to BD 257,144 (2015: BD 98,937) have been eliminated during the period.

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 31 March 2016 (Reviewed)

13 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.

Transaction with related parties during the period are as follows:

	<i>For the three-month period ended 31 March 2016</i>				<i>For the three-month period ended 31 March 2015</i>			
	<i>Purchases BD</i>	<i>Sales BD</i>	<i>Management fee income BD</i>	<i>Share of loss in an associate BD</i>	<i>Purchases BD</i>	<i>Sales BD</i>	<i>Management fee income BD</i>	<i>Share of profit in an associate BD</i>
Major shareholders and their affiliates	416,551	112,253	98,164	-	309,003	198,312	107,922	-
Associate (note 8)	-	-	-	(225,302)	-	-	-	143,391
Other related parties	-	10,699	-	-	-	10,971	-	-
	416,551	122,952	98,164	(225,302)	309,003	209,283	107,922	143,391

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

	<i>31 March 2016</i>		<i>31 December 2015</i>	
	<i>Receivables BD</i>	<i>Payables BD</i>	<i>Receivables BD</i>	<i>Payables BD</i>
Major shareholders and their affiliates	535,077	75,832	563,707	87,009
Other related parties	3,392	-	9,734	-
	538,469	75,832	573,441	87,009

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016 (Reviewed)

13 RELATED PARTY TRANSACTIONS (continued)**Compensation of key management personnel**

Key management personnel are those persons having responsibility for planning, directing and controlling the activities of the Group. The remunerations of directors and members of key management during the year were as follows:

	<i>Three-month period ended</i>	
	<i>31 March</i>	
	2016	<i>2015</i>
	BD	<i>BD</i>
Short-term benefits - senior executives	170,635	143,243
Post employment benefits - senior executives	8,025	5,920
Short-term benefits - directors	63,750	63,750
	242,410	212,913

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 three-month period ended 31 March 2016, the Group has not recorded any impairment of amounts owed by related parties (three-month period ended 31 March 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:

	31 March	<i>31 December</i>
	2016	<i>2015</i>
	No. of shares	<i>No. of shares</i>
No of shares	102,488,086	102,488,086
Percentage of holdings	59.04%	59.04%