

BAHRAIN TOURISM COMPANY BSC

30 September 2015 CONDENSED INTERIM FINANCIAL INFORMATION

Hotel, property and tourism development and investment

Commercial registration : 1977

Board of Directors : Hamed Mohd A. K. Al Awadhi (*Chairman*) *
Adel Hussain Al-Maskati (*Vice Chairman*)
Waleed Ahmed Al Khaja
Jalal Mohammed Yousuf Jalal
Reyadh Ahmed Al Mahmeed *
Najah Hassan Al Arabi *
Jamal Abdulla Mohammd Abulla Almutawa *

Chief Executive Officer : Abdulnabi Mohammed Daylami

Offices : Crowne Plaza Bahrain, PO Box 5831, Diplomatic Area
Manama – Kingdom of Bahrain
Telephone 17530530/17531122, Telefax 17530867
E Mail - bahtours@batelco.com.bh

Bankers : Ahli United Bank BSC
National Bank of Bahrain BSC
Bank of Bahrain and Kuwait BSC

Auditors : KPMG Fakhro

* Representatives of Social Insurance Organization

Bahrain Tourism Company BSC

CONDENSED INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2015

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Independent auditors' report on review of condensed interim financial information

To
The Board of Directors
Bahrain Tourism Company BSC
Manama, Kingdom of Bahrain

11 November 2015

Introduction

We have reviewed the accompanying 30 September 2015 condensed interim financial information of Bahrain Tourism Company BSC (the "Company"), which comprises:

- the condensed statement of financial position as at 30 September 2015;
- the condensed statement of profit or loss and other comprehensive income for the three-month and nine month periods ended 30 September 2015;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2015;
- the condensed statement of cash flows for the nine-month period ended 30 September 2015; and
- notes to the interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed 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 2015 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 30 September 2015

Bahraini dinars

	30 September 2015 (reviewed)	31 December 2014 (audited)
ASSETS		
CURRENT ASSETS		
Cash and bank balances	1,067,407	1,208,523
Short-term bank deposits	6,416,713	5,769,909
Trade receivables	419,986	505,543
Inventory	84,419	76,635
Prepayments and other receivables	319,215	156,754
Total current assets	8,307,740	7,717,364
NON-CURRENT ASSETS		
Available-for-sale investments	5,018,884	4,805,615
Investment in associate company	6,481,783	6,342,464
Investment property	963,193	996,023
Property and equipment	15,735,511	16,060,919
Total non-current assets	28,199,371	28,205,021
TOTAL ASSETS	36,507,111	35,922,385
LIABILITIES		
CURRENT LIABILITIES		
Trade payables	266,330	410,777
Accrued expenses and other payables	740,627	834,910
Dividend Payable	411,075	428,817
Total current liabilities	1,418,032	1,674,504
NON-CURRENT LIABILITIES		
Provision for employees' leaving indemnities	520,870	533,587
TOTAL LIABILITIES	1,938,902	2,208,091
TOTAL NET ASSETS	34,568,209	33,714,294
EQUITY		
Share capital	7,200,000	7,200,000
Statutory reserve	3,600,000	3,600,000
Capital and development reserves	12,758,242	12,758,242
Investment fair value reserve	3,985,691	3,715,903
Retained earnings	7,024,276	6,440,149
TOTAL EQUITY (page 4)	34,568,209	33,714,294

Hamed Mohd A. K. Al Awadhi
Chairman

Adel Hussain Al-Maskati
Vice Chairman

Abdulnabi Daylami
Chief Executive Officer

The Board of Directors approved the condensed interim financial information consisting of pages 2 to 11 on 11 November 2015.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the nine months ended 30 September 2015

Bahraini dinars

	Three months ended		Nine months ended	
	30 September 2015 (reviewed)	30 September 2014 (reviewed)	30 September 2015 (reviewed)	30 September 2014 (reviewed)
HOTEL OPERATIONS				
Revenue	1,576,318	1,328,245	5,035,092	4,770,836
Operating costs	(1,242,331)	(1,113,924)	(3,775,687)	(3,634,228)
Depreciation of hotel	(320,764)	(290,029)	(993,393)	(873,911)
Profit from hotel operations	13,223	(75,708)	266,012	262,697
INVESTMENT ACTIVITIES				
Dividend income	110,495	98,670	280,907	265,207
Share of profit of associate	416,557	339,869	1,132,981	949,468
Impairment of AFS Investments	(25,000)	-	(50,000)	-
Provision for doubtful debts	-	-	(8,200)	-
Net property income	20,612	18,077	53,900	56,207
Interest income	21,722	24,796	61,627	53,703
Net loss from travel division activities	(5,650)	(2,447)	(10,636)	(3,314)
Other income	2,752	1,249	9,336	9,739
Income from investment activities	541,488	480,214	1,469,915	1,331,010
General and administrative expenses, Note 12	(132,062)	(144,566)	(272,800)	(514,872)
PROFIT FOR THE PERIOD	422,649	259,940	1,463,127	1,078,835
Other comprehensive income Items that are or may be reclassified subsequently to profit or loss:				
Available-for-sale investments:				
Net change in fair value	(118,232)	(109,859)	263,448	68,622
Share of fair value reserve of associate	(55,726)	(27,265)	6,340	(6,328)
Total other comprehensive income for the period	(173,958)	(137,124)	269,788	62,294
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	248,691	122,816	1,732,915	1,141,129
Basic and diluted earnings per share of 100 fils for the period	Fils 5.9	Fils 3.8	Fils 20.3	Fils 16.2

Hamed Mohd A. K. Al Awadhi
Chairman

Adel Hussain Al-Maskati
Vice Chairman

Abdulnabi Daylami
Chief Executive Officer

The condensed interim financial information consists of pages 2 to 11.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2015

Bahraini dinars

2015	Share capital	Statutory reserve	Capital and development reserves	Fair value reserve	Retained earnings	Total
(reviewed)						
Balance at 1 January 2015	7,200,000	3,600,000	12,758,242	3,715,903	6,440,149	33,714,294
Comprehensive income:						
Profit for the period	-	-	-	-	1,463,127	1,463,127
Other comprehensive income						
Net change in fair value of available-for-sale investments	-	-	-	263,448	-	263,448
Share in fair value reserve of associate	-	-	-	6,340	-	6,340
Total other comprehensive income for the period	-	-	-	269,788	-	269,788
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	269,788	1,463,127	1,732,915
Charity donations approved for 2014	-	-	-	-	(15,000)	(15,000)
Transactions directly with the owners of the Company						
Dividend declared for 2014	-	-	-	-	(864,000)	(864,000)
Balance at 30 September 2015	7,200,000	3,600,000	12,758,242	3,985,691	7,024,276	34,568,209

The condensed interim financial information consists of pages 2 to 11.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2015 (continued)

Bahraini dinars

2014 (reviewed)	Share capital	Treasury shares	Statutory reserve	Capital and development reserves	Fair value reserve	Retained earnings	Total
Balance at 1 January 2014	7,200,000	(972,295)	3,600,000	12,758,242	3,500,723	5,474,252	31,560,922
Comprehensive income:							
Profit for the period	-	-	-	-	-	1,078,835	1,078,835
<i>Other comprehensive income</i>							
Net change in fair value of available-for-sale investments	-	-	-	-	68,622	-	68,622
Share in fair value reserve of associate	-	-	-	-	(6,328)	-	(6,328)
<i>Total other comprehensive income for the period</i>	-	-	-	-	62,294	-	62,294
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	62,294	1,078,835	1,141,129
Charity donations approved for 2013	-	-	-	-	-	(15,000)	(15,000)
Transactions directly with the owners of the Company							
Dividend declared for 2013	-	-	-	-	-	(985,090)	(985,090)
Treasury shares sold during the period	-	972,295	-	-	-	-	972,295
Profit on sale of treasury shares	-	-	-	-	-	352,796	352,796
Balance at 30 September 2014	7,200,000	-	3,600,000	12,758,242	3,563,017	5,905,793	33,027,052

The condensed interim financial information consists of pages 2 to 11.

CONDENSED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2015

Bahraini dinars

	30 September 2015 (reviewed)	30 September 2014 (reviewed)
OPERATING ACTIVITIES		
Cash received from customers	5,130,029	4,837,032
Rent received	73,093	94,458
Payment to suppliers	(1,237,846)	(1,247,074)
Payments for staff salaries and related costs	(1,770,277)	(1,906,299)
Payments for other overhead expenses	(1,338,343)	(1,012,431)
Payments for hotel renovation and new hotel project	(596,242)	(1,074,000)
Net cash generated from /(used in) operating activities	260,414	(308,314)
INVESTING ACTIVITIES		
Interest received	50,731	50,548
Dividend received	1,173,173	1,065,208
Other receipts	9,517	7,940
Proceeds from redemption of available-for-sale investments	-	41,190
Payments for acquisition of property and equipment	(103,905)	(4,265)
Placement of bank deposits	(3,738,758)	-
Net cash (used in)/generated from investing activities	(2,609,242)	1,160,621
FINANCING ACTIVITIES		
Proceeds from sale of treasury shares	-	1,325,091
Dividends paid	(881,742)	(918,114)
Charity paid	(2,500)	(2,500)
Net cash (used in)/generated from financing activities	(884,242)	404,477
Net (decrease)/increase in cash and cash equivalents during the period	(3,233,070)	1,256,784
Cash and cash equivalents at beginning of the period	6,978,432	5,502,433
Cash and cash equivalents at end of the period	3,745,362	6,759,217
CASH AND CASH EQUIVALENTS:		
Cash and bank balances	1,067,407	1,009,392
Short-term bank deposits	2,677,955	5,749,825
	3,745,362	6,759,217

NOTES**to the 30 September 2015 condensed interim financial information**Bahraini dinars

1 REPORTING ENTITY

Bahrain Tourism Company BSC (the "Company") was established pursuant to Amiri Decree 2/1/1974 for the purpose of building and investing in hotels and other tourism projects. The Company's major undertaking is the Crowne Plaza Bahrain Hotel. The Company also owns and operates Bahrain Tourism Company travel division. The Company is a subsidiary of the Social Insurance Organization (the "Parent Company") and its shares are listed on Bahrain Bourse.

During Q1 2015, Gulf Hotels Group B.S.C (GHG), an entity listed on the Bahrain Stock Exchange, had expressed intent to acquire 100% of the Company through a share swap. In addition, Al Jazeera Tourism Company B.S.C (c) (AJTC) expressed intent to merge with the Company.

In respect of the offers received, the Company has signed a Memorandum of Understanding with GHG and AJTC separately to evaluate the feasibility of merger or acquisition by each of the offerors.

2 BASIS OF PREPARATION

The condensed interim financial information for the nine months ended 30 September 2015 has been prepared in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*, which permits the condensed interim financial information to be in summarized form. The condensed 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 financial statements of the Company for the year ended 31 December 2014. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2014.

3 SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial information has been prepared using the same accounting policies and methods of computation applied in the preparation of the latest audited financial statements of the Company for the year ended 31 December 2014.

- 4 The condensed interim financial information is reviewed, not audited. The corresponding figures for the condensed statement of financial have been extracted from the audited financial statements for the year ended 31 December 2014. The corresponding figures for the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows have been extracted from the reviewed condensed interim financial information for the nine months ended 30 September 2014.

5 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2014.

6 SEASONALITY OF OPERATIONS

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.

7 JUDGEMENTS AND ESTIMATES

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

In preparing the condensed interim financial information, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 31 December 2014.

NOTES**to the 30 September 2015 condensed interim financial information**

Bahraini dinars

- 8 The Shareholders approved the following appropriations for 2014 in their Annual General Meeting held on 26 March 2015 that were effected during the period:

	2015	2014
Cash dividends	864,000	985,090
Charity donations	15,000	15,000

9 SEGMENTAL INFORMATION FOR OPERATING SEGMENTS

	Hotel Operations		Investments		Travel		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from external customers	5,035,092	4,770,836	400,227	387,989	44,994	58,124	5,480,313	5,216,949
Income from associate	-	-	1,132,981	949,468	-	-	1,132,981	949,468
Interest income	-	-	61,627	53,703	-	-	61,627	53,703
Total segment revenue	5,035,092	4,770,836	1,594,835	1,391,160	44,994	58,124	6,674,921	6,220,120
Operating costs	(3,775,687)	(3,634,228)	(289,675)	(532,499)	(55,631)	(61,437)	(4,120,993)	(4,228,164)
Depreciation	(993,393)	(873,911)	(39,209)	(39,209)	-	-	(1,032,602)	(913,120)
Impairment of assets	-	-	(58,200)	-	-	-	(58,200)	-
Total segment costs	(4,769,080)	(4,508,139)	(387,084)	(571,708)	(55,631)	(61,437)	(5,211,795)	(5,141,284)
Segment profit /(loss)	266,012	262,697	1,207,751	819,452	(10,637)	(3,314)	1,463,126	1,078,835
Segment assets	16,451,406	16,852,453	19,973,187	18,980,358	82,519	89,819	36,507,111	35,922,385
Segment liabilities	(938,989)	(961,828)	(916,924)	(1,155,978)	(82,989)	(90,285)	(1,938,902)	(2,208,091)
Capital expenditure	(668,434)	(419,895)	-	-	-	-	(668,434)	(419,895)

The comparative figures of segmental revenues, costs and profit are presented for the nine months ended 30 September 2014, and the comparative figures of segmental assets and liabilities are presented for the year ended 31 December 2014.

NOTES**to the 30 September 2015 condensed interim financial information**

Bahraini dinars

10 RELATED PARTY TRANSACTIONS

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

a) Transactions and balances with and from related parties

	30 September 2015	30 September 2014
Social insurance contributions to the parent company	41,334	43,537
Purchases of merchandise from an associate company	76,676	56,027
	30 September 2015	31 December 2014
Payable to parent company	7,820	8,312
Payable to associate company	12,726	14,467

b) Transactions and balances from key management personnel

Key management personnel of the Company comprises of the Board of Directors, the Chief Executive Officer and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	30 September 2015 (reviewed)	30 September 2014 (reviewed)
Directors' remuneration	48,000	48,000
Directors Meeting Attendance Fees	18,900	11,200
Salary and other allowances to key management personnel	105,966	357,765
Total Compensation	172,866	416,965
Receivables	17,236	12,467

Directors' interest in the shares of the Company was as follows:

	30 September 2015 (reviewed)	30 September 2014 (reviewed)
Total number of shares held by Directors	316,150	316,150
As a percentage of the total number of shares outstanding	0.44%	0.44%

NOTES**to the 30 September 2015 Condensed Interim Financial Information**

Bahraini dinars

11 FAIR VALUE

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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

Except for certain available-for-sale investments carried at cost of BD 261,200 (2014: BD 311, 200), the remaining investments are carried at fair value. The Company's other financial assets and liabilities are short term in nature and hence the carrying value approximates fair value at the reporting date.

Fair value hierarchy

The Company 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. as 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.

a) Financial instruments measured at fair value:

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 categorised. The amounts are based on the values recognised in the statement of financial position.

At 30 September 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
Quoted equity shares	4,616,639	-	-	4,616,639
Managed funds		141,045	-	141,045
	4,616,639	141,045	-	4,757,684

At 31 December 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets:				
Quoted equity shares	4,350,482	-	-	4,350,482
Managed funds	-	143,933	-	143,933
	4,350,482	143,933	-	4,494,415

b) Other financial assets and liabilities:

The carrying amount of the Company's other financial assets and liabilities approximate their fair values due to their short term nature.

NOTES**to the 30 September 2015 Condensed Interim Financial Information**

Bahraini dinars

12 GENERAL AND ADMINISTRATIVE EXPENSES

	30 September 2015	30 September 2014
Staff cost	134,338	308,276
Net reversal of indemnity provision	(30,944)	48,598
Director's remuneration	48,000	48,000
Professional fees	28,652	27,272
Share registration fees	7,770	10,360
Insurance	33,951	33,077
Other expenses	51,033	39,289
	272,800	514,872

13 COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2015 (reviewed)	30 September 2014 (reviewed)
Letter of guarantees	201,352	206,352

As at 30 September 2015, the Company had commitments of BD 1,241,856 (2014: 1,894,130) related to the new hotel project and BD Nil (2014: 69,350) for the hotel renovation.

14 COMPARATIVES

Certain prior period amounts have been regrouped to conform to the presentation in the current period. Such regroupings did not affect previously reported comprehensive income for the period or equity.