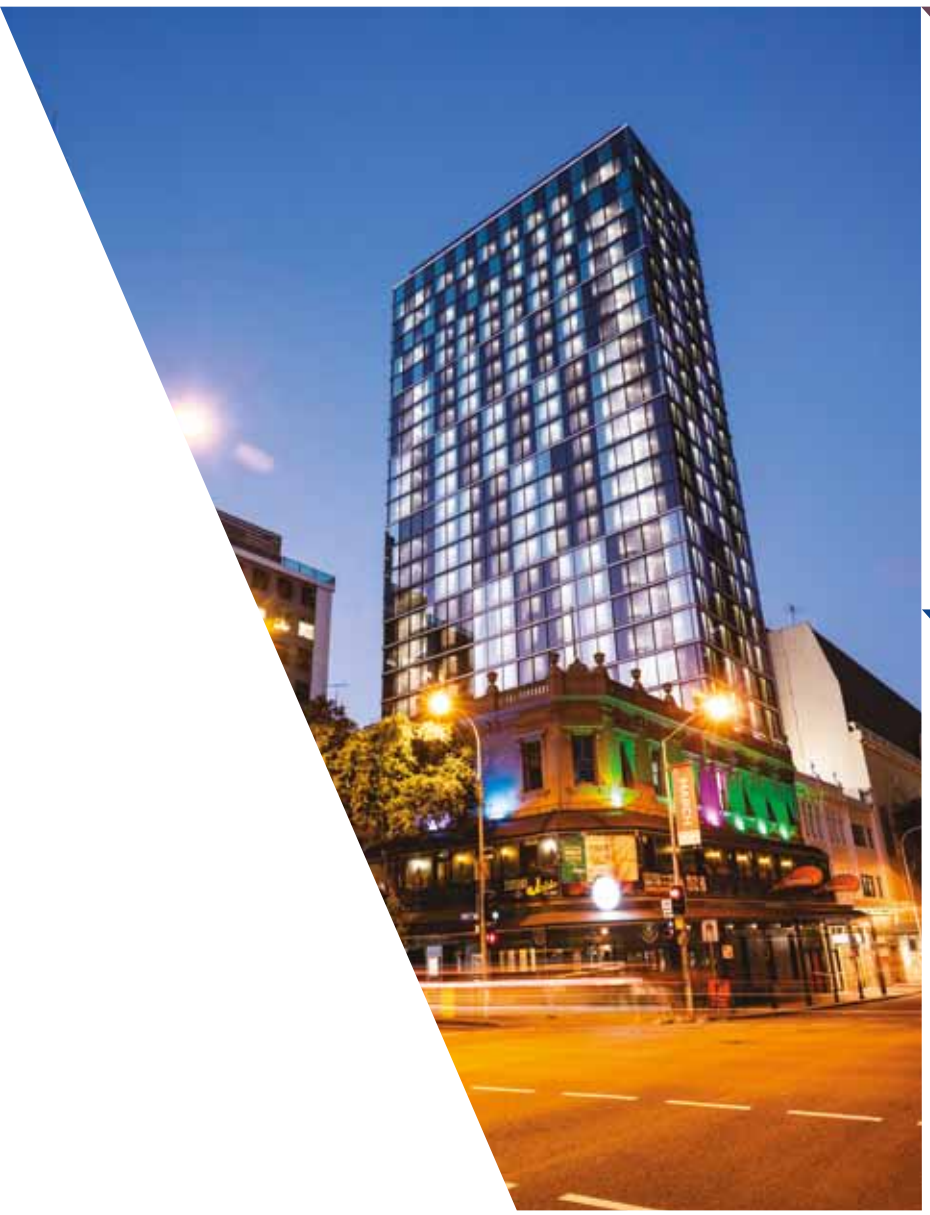
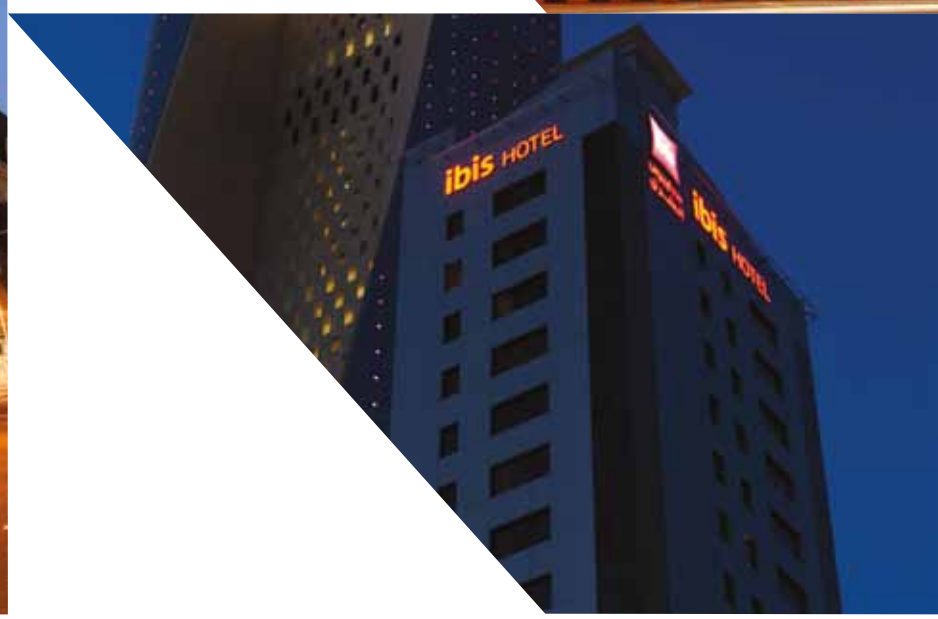
"Action Hotels is focused on the development of a portfolio of innovative economy and midscale hotels"

ACTION HOTELS





Action Hotels plc Annual Report & Accounts 2015

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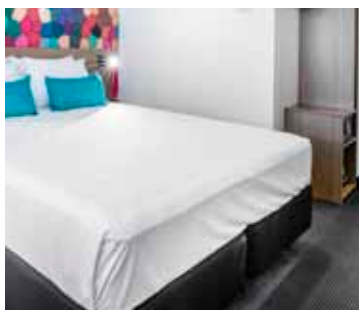

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FINANCE REVIEW

Introduction

Established by Founder and Chairman H.E. Sheikh Mubarak A. M. Al-Sabah in 2005, Action Hotels is a leading developer, owner and asset manager of internationally branded economy and midscale hotels in the Middle East and Australia. Action Hotels operates a highly resilient model that will see the company through to long-term growth.

Addressing a significantly undersupplied gap in the market, Action sources prime plots of land in key locations, develops the asset and subsequently partners with leading global hotel operators to offer a branded, quality, economy to midscale accommodation offering to intra-regional business and leisure/local travellers.

The Action Hotels portfolio comprises 1,928 operational rooms across ten hotels in six countries (as well as an additional 104 completed rooms in Ras Al Khaimah awaiting sign-off from local authorities). The fully funded pipeline comprises a further 617 rooms across five hotels as well as three plots of investment land. This will bring the total operating portfolio to a minimum of 2,649 rooms by 2017, and well positioned to reach our target of 5,000 rooms by 2020.

2015 Highlights at a glance

Completed hotel Rooms
1,928
(+30%)

Like for like Occupancy[1]
79.3%
(+1.7%)

Like for like Average Daily Rate (ADR)
$99
(2014:$113)

Like for like Revenue Per Available Room
$79
(2014:$84)

Revenue
USD 43.5m
(+16%)

Operating Profit
USD 8.7m
(2014: USD 6.1m)

Adjusted EBITDA[2]
USD 16m
(+42%)

Profit After Tax
USD 2.8m
(2014: 1.9m)

Loan to Value
49.5%
(2014: 37%)

Net Asset Value
USD 196m
(+5.4%)

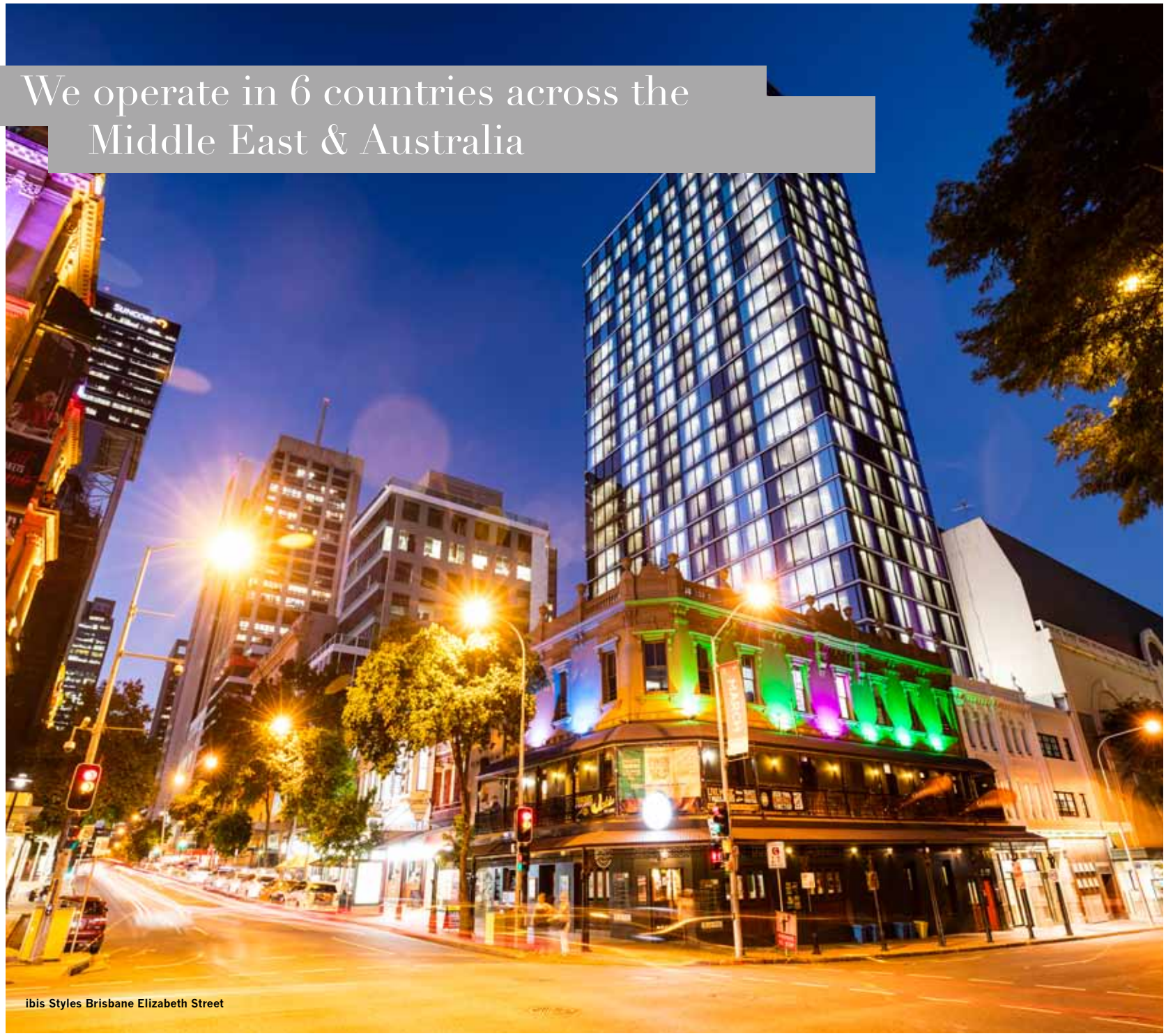
Adjusted Net Asset Value[3]
USD 206.4m
(+6%)

Proposed Full year Dividend
GBP 2.21p
(+2%)

1 Like for like is defined as the average across our six mature hotels (ibis Glen Waverley, ibis Salmiya, ibis Muscat, ibis Sharq, ibis Amman, ibis Budget Melbourne Airport)
2 Adjusted EBITDA has been defined as operating profit before depreciation, amortisation, restructuring and listing costs, gains and losses arising from the disposal of property, plant and equipment, pre-opening costs and other non-recurring expenses
3 Adjusted net asset value is the net asset value of the Group adjusted for the deferred tax provision required on the revaluation of properties to the Statement of Financial Position

Premier Inn, Sharjah

We operate in 6 countries across the Middle East & Australia



ibis Styles Brisbane Elizabeth Street

Geographical Presence

Middle East

Revenue (USD)

2015	$37m
2014	$30.6m

Number of rooms

2015	1,333
2014	1,165

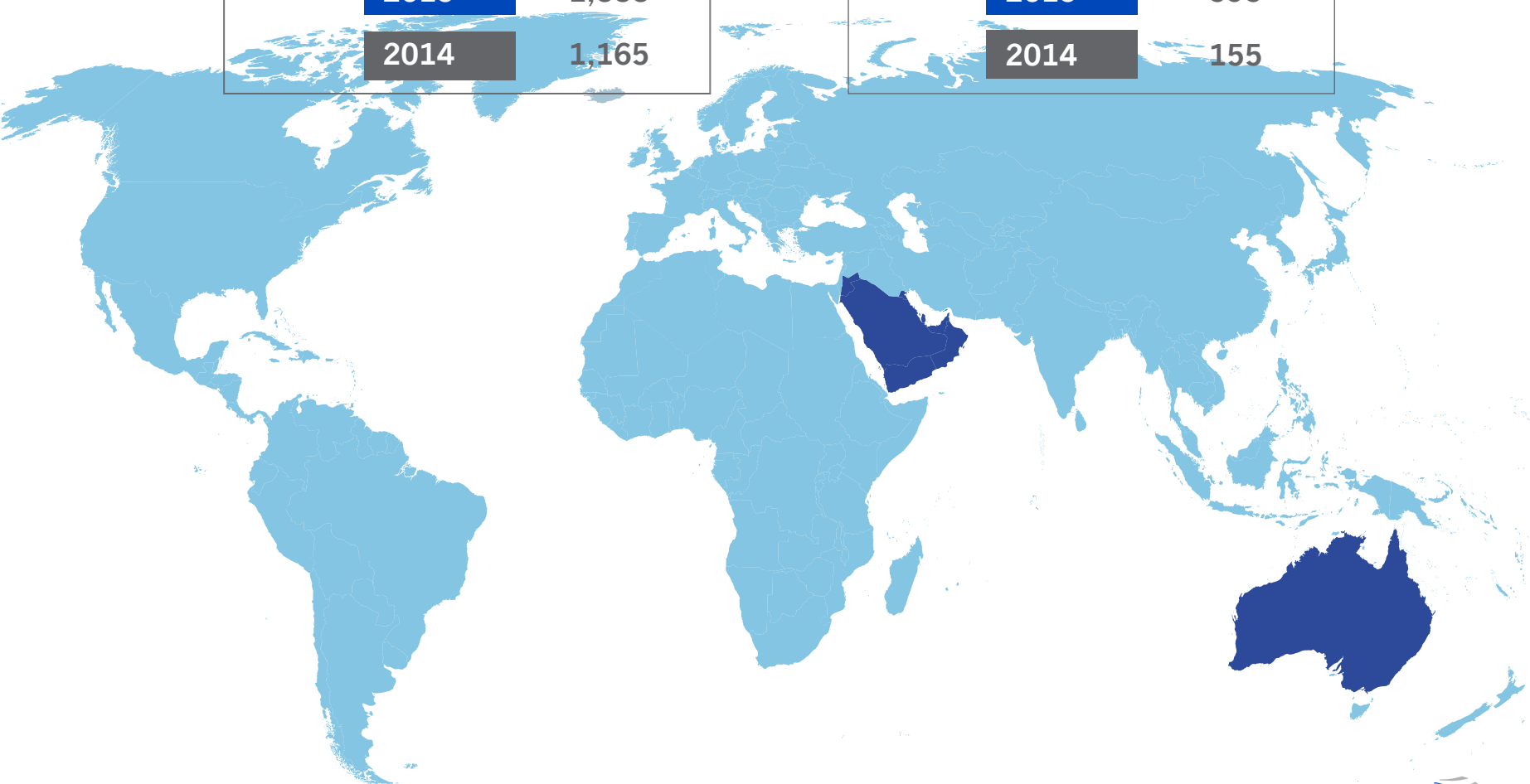
Australia

Revenue

2015	$6.3m
2014	$6.9m

Number of rooms

2015	595
2014	155



Property Portfolio

1,050m² development land Sharq, Kuwait

ibis Sharq, Kuwait

ibis Salmiya, Kuwait

ibis Styles, Bahrain

ibis Seef, Bahrain

Premier Inn Sharjah, UAE

ibis Amman, Jordan

Tulip Inn Ras Al Khaimah, UAE

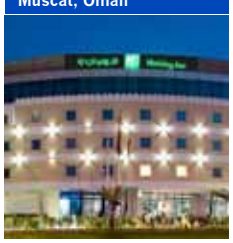
Development land Dubai Healthcare City, Dubai, UAE

Tulip Inn Modon Jeddah, KSA

Mercure Riyadh Olaya, KSA

Staybridge Suites, Abu Dhabi, UAE

Mercure Sohar, Oman



Holiday Inn Al Seeb, Muscat, Oman

ibis Muscat, Oman

Development land Dubai Media City, Dubai, UAE

Mediterranean Sea

AMMAN

JORDAN

KUWAIT

KUWAIT CITY

BAHRAIN

DUBAI

ABU DHABI

UAE

MUSCAT

OMAN

RIYADH

SAUDI ARABIA

JEDDAH

Red Sea

Arabian Sea

Action Hotels - Changing the hotel market in the Middle East & Australia

Operating
Pipeline
Land

ibis Styles Brisbane

ibis Glen Waverley, Melbourne

ibis Budget Melbourne Airport

2015 New Hotels

ibis Seef
Bahrain

Completed in December 2014, 2015 was the maiden year of trading for the 304-room ibis Seef, Action's first hotel in Bahrain.

The freehold hotel is located in the Seef district in Manama, the capital city of Bahrain. Situated along the coastline, Seef is a rapidly developing commercial hub, which positions ibis Seef ideally for both business and leisure tourism.

ibis Seef comprises 304 rooms including 18 apartments and 14 suites, catering for long-stay guests and families. The hotel offers various services and facilities including a restaurant, a fully-equipped gymnasium and external swimming pool. For its business clientele the hotel offers a business centre comprising 4 meeting rooms and a well-equipped business centre.

Since opening ibis Seef has experienced good growth in occupancy and Average Daily Rate.

Premier Inn
Sharjah

Premier Inn Sharjah, which opened in August 2015 contributed just over four months of trading to the 2015 financial year. In this time the hotel has already gained significant traction, with strong demand coming from business and government travellers, underpinning Action's strategy to address the need for quality economy to midscale accommodation in prime locations across the Middle East.

Boasting a prime location on Sharjah's bustling arterial road King Faisal Street, the property was Action's first hotel in Sharjah and the Company's first with Premier Inn.

Sharjah, part of the UAE, is a growing hub for business, with numerous expo, conference and business centres attracting significant business travel to the emirate.

The 168-room freehold hotel features modern rooms fitted with Premier Inn's latest specifications as well as offering a restaurant, gym and fully-equipped meeting rooms. The hotel is also home to one of only three Costa Coffee shops in Sharjah.

Since opening the hotel has swiftly established itself as a major player in the local accommodation offering, achieving 79% occupancy for the 1st quarter of 2016 and recently wining a Booking.com award for positive reviews in January 2016.

2015 New Hotels

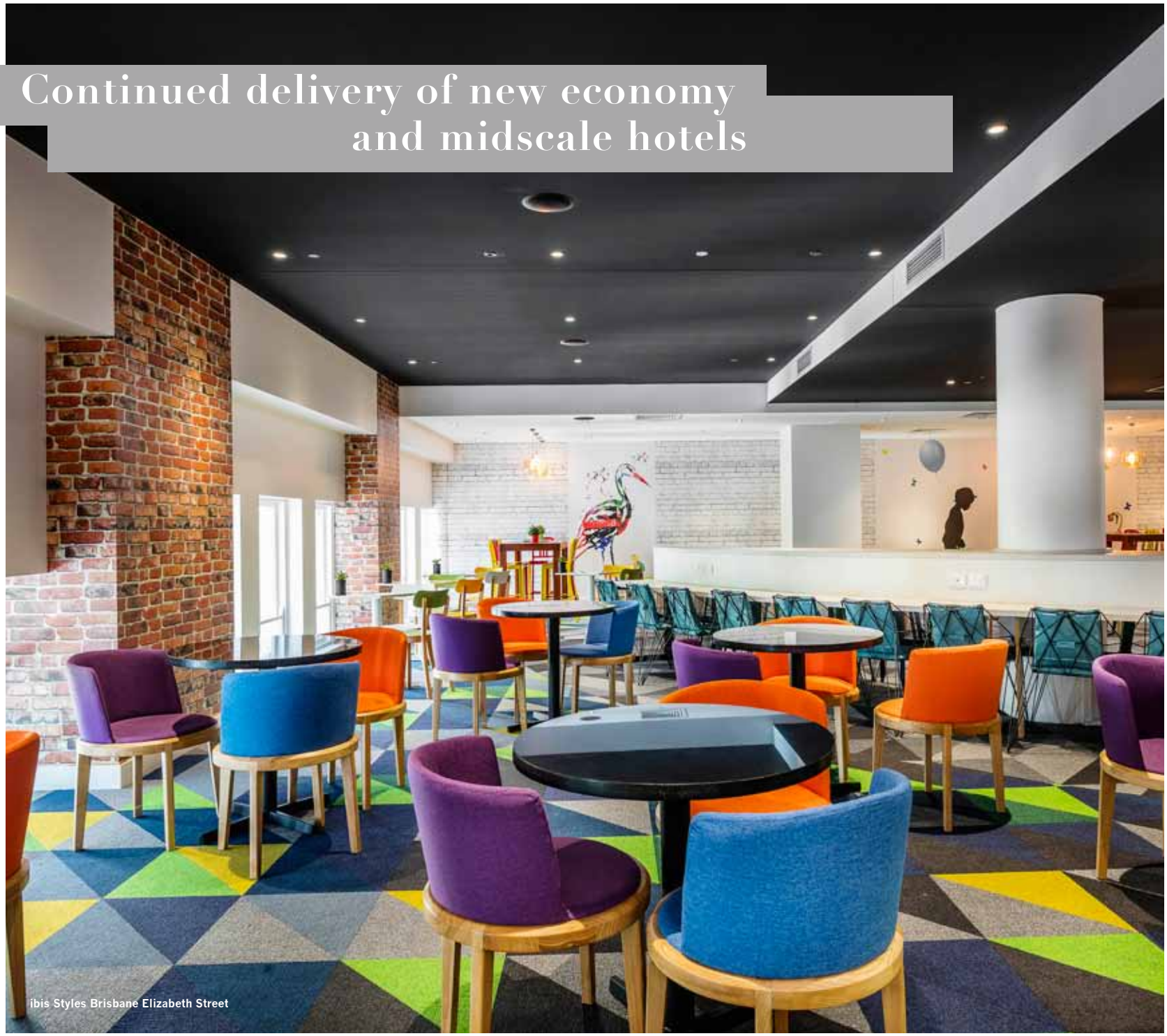
ibis Budget
Melbourne Airport

ibis Budget Melbourne Airport was acquired by Action Hotels in October 2015. Opportunities to acquire airport hotels are scarce and this opportunity pays testament to the Company's ability to source and access prime plots and hotel assets.

The newly-renovated 73-room hotel enjoys an attractive location within the Melbourne Airport precinct, only 300m away from the terminal buildings. Melbourne airport has a 20 year expansion program in place, investing some AUS10bn to boost its capacity and absorb the ongoing growth in passengers, with a new 20,000m2 terminal due to open in 2015 which will host regional airlines Jetstar, Tigerair, and Regional Express (source: Melbourne Airport Management).

The hotel was already operational before being acquired by Action Hotels, averaging 89.8% occupancy and contributing $1m in EBITDA in 2014. The business and assets were purchased by Action Hotels for $8m and it contributed immediately to the Group's earnings for year ended 31 December 2015.

Continued delivery of new economy and midscale hotels



ibis Styles Brisbane Elizabeth Street

Chairman's Statement

I am pleased to report to our Shareholders another year of growth at Action Hotels as we continue to execute and deliver our pipeline of three and four star hotels across the GCC and Australia into our profitable operating portfolio.

Summary

- Middle East
- Australia
- Financial Performance
- Development Pipeline
- Dividend
- Board, Management, Colleagues
- Outlook

2015 marked the completion of our tenth and largest hotel, the 367-room ibis Styles Brisbane Elizabeth Street, increasing the total number of completed rooms by over 30% to 1,928 across six countries. Earlier this year we also completed the 104-room Tulip Inn Ras Al Khaimah, which will become operational in H1 2016.

In addition, we made our first acquisition of an existing operational hotel, ibis Budget Melbourne Airport, showing the flexibility in our approach to accelerating growth.

Middle East

Our hotel portfolio expansion across the GCC remains our focus of growth being driven by increasing demand for quality, affordable hotel accommodation and the material undersupply in the economy and midscale hotel sectors.

This gap between the demand and supply of three and four star hotels in these countries provides an exciting opportunity for Action Hotels to be a first mover addressing this imbalance, which continues to widen as governments and corporates create more jobs in non-oil industries as part of their committed diversification programmes.

In addition to the rapid growth of new jobs being made available across the GCC, other factors are increasing the numbers of intra-regional travellers. The rising middle class matched with increasingly affordable and accessible air travel across the GCC (additional airline and airport capacities along with the emergence of low cost airlines) are driving the rising demand for affordable, quality, value for money hotel accommodation across the region.

Australia

Australia is a market that we know extremely well and where we have a good presence and network on the ground. Whilst the hotel market dynamics are more mature than the Middle East, our ability to access prime hotel developments and opportunities give us the opportunity to operate and grow our portfolio in Australia.

We now have three hotels with a total of 595 rooms in Australia (Glen Waverley, Melbourne airport and Brisbane) and will continue to seek and review further opportunities that meet our robust return on investment criteria.

Financial Performance

We saw growth across all our financial KPIs: Revenue up 16%, EBITDA up 42%, Net profit up 47% and Net asset value rising by 5.4% during the year. For more details on the financial performance please see the Finance Review on page 34.

Development Pipeline

All of our pipeline hotel projects are fully funded using the cash generated from our profitable operating hotels along with secured debt from banks and financial institutions at competitive rates. For these developments we will not require any additional equity fundraise. We continue to review future hotel opportunities with a flexible approach to accelerating our growth through freehold, leasehold, joint ventures and existing hotel opportunities. Depending on the nature of future opportunities and the capital required, we may look to use our public company equity.

The full extent of our announced development pipeline and investment land is explored in further detail on page 8.

Dividend

Most of our operating hotels to date have positively contributed to EBITDA shortly after opening, and even though we continue to accelerate our growth, the profitability and cash profile of our operating business enables a dividend to be paid to shareholders. I am delighted to announce that the board is recommending a final dividend of GBP 1.47 pence per share for 2015, resulting in a full year dividend of GBP 2.21 pence per share (2014: GBP 2.17 pence per share). The board are confident of maintaining a progressive dividend policy and look forward to confirming the interim dividend for 2016 at the publication of the 2016 interim results.

Board, Management, Colleagues

I am proud of the dedication and hard work that my fellow colleagues continue to apply each day for Action Hotels. We have a highly experienced team across all areas of the business and I send my sincere gratitude for all your efforts last year.

Outlook

We remain on track for a record year of hotel openings across the GCC and Australia. In Australia we recently opened our largest hotel, ibis Styles Brisbane Elizabeth Street and early business is already encouraging.

We have also completed our first Tulip Inn branded hotel, which is also our first hotel in Ras Al Khaimah (construction has been completed and we are awaiting final sign-off from local authorities). New additions that are due to open during 2016 include the ibis Styles Bahrain, Mercure Sohar, Mercure Riyadh Olaya and Tulip Inn Modon Jeddah.

We look forward to continuing to update our shareholders on our progress throughout the course of this year.

Sheikh Mubarak A M Al-Sabah
Founder and Non-Executive Chairman

Our Strategy – A resilient model for long-term growth

Key strengths and advantages

- Partnerships with leading global hotel brands
- Freehold/ leasehold assets in key locations
- Experienced management and Board
- Flexible approach to growth

Economy and midscale hotels

Action Hotels is an owner, developer and asset manager of economy and midscale hotels. The Company targets the increasing number of business and leisure travellers that live and work in the GCC seeking quality, affordable hotel accommodation backed by a trusted and well-established brand. Through its partnerships with leading global hotel operators, Action Hotels develops and manages high-quality, internationally branded three and four star hotel accommodation in prime locations, usually where there is an abundance of upscale and luxury hotels and little or no economy and midscale hotel offering.

The economics of economy and midscale hotels are also more favourable, being significantly less capital intensive and more profitable to develop and operate. This allows for a relatively quick period of time between opening and profitability, whilst making efficient use of real estate and generating higher returns for our shareholders.

Action brings in the branded operator to manage the day-to-day running of the hotel but still has a significant role as owner over all key financial and operational aspects of the hotel.

Economy and midscale hotels can be more resilient to global financial events including the recent decline in oil price and challenges brought on by the global financial crisis. In the GCC these factors have contributed to an increasing number of businesses which continue to reduce employee travel budgets and search for more value-driven hotel accommodation choices. This supports Action's strategy of targeting the intra-regional traveller that typically does not react to the same factors that cause fluctuations in international travel.

Middle East and Australia

Middle East

The economy of the Middle East is very diverse and best known for producing and exporting oil and gas. Most of the countries in the region have undertaken efforts to diversify their economies in recent years and as a result are showing significant growth in GDP despite a decline in oil prices.

"The GCC governments' challenge to diversify their economies from oil and gas and their consistent focus on infrastructure development across sectors has kept the construction industry in focus. Activity in sectors across infrastructure, residential, commercial, hospitality, retail, etc., have taken centre-stage in inviting global participation and attracting the attention of businesses and tourists alike. Although investments are directly dependent on the pace of each Government, we believe that the GCC region continues to be a desirable location with accelerating growth prospects for the near future."

Alpen Capital Investment Bank, 2016

The region's tourism industry has developed in parallel with this economic growth in response to a rising demand, and as a result the region has created a diversified hospitality offering to cater to the business and leisure traveller, international events and conventions in addition to short stays and religious tourism. As a result, the Middle East saw a 5.9% growth in total Travel & Tourism contribution to GDP in 2015. The UAE is spearheading this growth, with Saudi Arabia a close second contender showing record growth in the number of tourist arrivals. Travel & Tourism outperformed the wider economy in 2015 in Saudi Arabia in 2015 (World Travel & Tourism Council, March 2016).

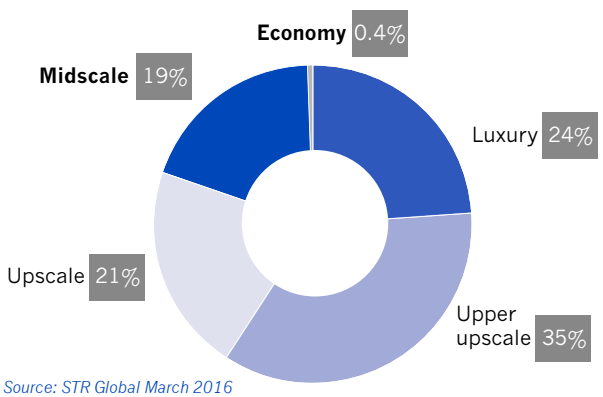
Demographics have also played an important role in the growth of tourism in the Middle East, with forecasts from the World Bank expecting the middle class across the MENA region to increase by more than 400 million people by 2030. As a result, the region is witnessing a proliferation of budget airlines and governments are responding with investment in infrastructure, new airports and various multi-million dollar projects. Dubai airport's capacity has increased from 75 million passengers annually to 90 million with the addition of a new concourse (Travel Trade Weekly 12 March – Dubai Airport management). Intra-regional travel business and leisure travel across the GCC remains relatively immune to changing global trends and fluctuations in international tourism and a declining oil price.

Hotel brands have recognized the region's exceptional potential and as a result various markets are witnessing significant growth in the prevalence of international hotel brands, led primarily by Dubai, where hotel brands have a penetration of 82% (Hospitality ON – Hospitality Report, 2015). Hotel companies have been considerably active in the Middle East, developing primarily luxury and upper upscale hotels, which represent the vast majority of the current supply.

The economy and midscale hotel sector is emerging and currently significantly undersupplied, with only 19% of the hotel stock in this segment. The trend looks set to remain, with only 22.5% of the announced pipeline through to 2018 falling within the economy and midscale categories (STR Global, March 2016). AccorHotels (ibis, ibis Styles, ibis Budget) is the region's leading hotel operator in the economy and midscale space, followed by IHG (Holiday Inn, Holiday Inn Express) and Premier Inn, which is present primarily in the UAE.

Overall the region is showing positive trends and a favorable outlook, underpinned by a strong growth in intra-regional tourism, an increasingly diversified economy and regional investment.

Middle East current branded hotel supply



Source: STR Global March 2016

Australia

Australia is a market that Action Hotels knows very well. The Company has been present there since 2007, when an opportunity came about to develop a 155-room ibis in the Glen Waverley area of Melbourne in partnership with Accor. This hotel has been very successful and since then we have been able to take advantage of other hotel opportunities growing Action's Australian portfolio by a further two hotels (440 rooms) during 2015.

In October 2015, we acquired the already operating ibis Budget Melbourne Airport, a profitable airport hotel in a highly desirable location. This was followed by the completion of the Company's largest property, the 367-room ibis Styles Brisbane in December, which opened in March 2016.

Australia has been a highly successful venture for Action, and whilst the Company's high growth pipeline continues to focus on the GCC, the Australian portfolio remains a positive addition and a lucrative market.

The Australian hotel investment market has been steadily growing, with the last two years characterised by record level hotel sales activities as momentum builds ahead of the 2018 Commonwealth Games.

Tourism into Australia remains strong, with international visitor arrivals increasing by 6.6% to a new high of 7.12 million during 2014-15. International tourist spending also grew considerably, up 10% to a record AUS$33.4bn, one of the best performing years since the 2001 Sydney Olympic Games. Domestic tourism is also on the rise, underpinned partly by the lower Australian dollar. Australians on holiday at home increased by 5% to a new high of 83.2 million. In response to this growth, Melbourne Airport is currently undergoing a AUS$10bn expansion to cater to the growing influx of visitors. International airlines are also following suit, with the number of available seats increasing to 44 million in 2014 from 35.6m in 2010. *(Colliers International, Destination Australia, H2 2015).*

Average hotel occupancies across Australian cities remained stable at 75.8%, with the highest occupancies resulting in Sydney and Melbourne. Average rates increased by 1% to $175.15, with the strongest growth recorded in Melbourne and Sydney. *(STR Global, June 2015).*

Partnering with leading hotel brands

Partnerships with global hotel operators

Global hotel operators continue to favour growth via asset-light strategies, focusing on the operational aspects of hotel management rather than the ownership of them.

The GCC continues be a desirable growth market with a proliferation of domestic and business tourism but with strong barriers to entry, requiring non-GCC hotel brands to partner with local or regional investors. Action Hotels has established itself as a leading owner and developer of hotels in the economy and midscale hotel segment across the GCC and has built strong relationships with global hotel operators who are looking to expand their three and four star brands across the region.

Action enters into long-term hotel management agreements where the operator manages the hotel for a fee based on revenue and profit.

The Company has strong privileged relationships with leading hotel brands, enabling the company to negotiate the best terms.

Action currently partners with four leading hotel operators who are carefully selected and appointed on their:

- **operational expertise**
- **brand recognition**
- **sales, distribution and marketing capabilities**
- **loyalty programs and digital reach**

Olivier Granet, Managing Director & Chief Operating Officer AccorHotels Middle East:

"AccorHotels is the world's leading hotel operator which operates properties in the Middle East across all segments from economy to mid-market, upscale and luxury. We firmly believe that the Middle East remains a key growth market in the hospitality industry with tremendous untapped potential. In that regard, we sign on average one hotel every two weeks and open one hotel every month in the region. Economy and midscale brands represent more than 50% of these hotels openings.

Freehold & leasehold

*We are privileged to have **Action Hotels** as a trusted partner with whom we share similar values and an outlook for growth not only in the Middle East but on a global scale as well."*

Dr Amine E. Moukarzel, President of Louvre Hotels Group and Golden Tulip:

*"We are excited to partner with **Action Hotels** on our first management agreement for Tulip Inn Ras Al Khaimah. This hotel, which is now complete and due to open imminently shows the excellent brand standards of Tulip Inn as a mid-scale offering in Ras Al Khaimah. This is our second hotel in the emirate of Ras Al Khaimah and our eleventh hotel in U.A.E. We thank **Action Hotels** for their trust in Louvre Hotels Group and look forward to working together on this and other hotel opportunities across the region in the future."*

Pascal Gauvin, Chief Operating Officer, IMEA, Intercontinental Hotels Group:

*"Travel and Tourism is the fifth largest global industry. While the accommodation landscape continues to diversify, the branded hotel segment is still the fastest growing. We continue to build on our strengths in the Middle East with our long term partners such as **Action Hotels** to progress.*

We have 73 hotels open in the Middle East across five of our brands, and another 25 hotels due to open in the coming years. In 2015 we signed the largest Holiday Inn hotel in the world in Saudi Arabia - Holiday Inn Makkah – Abraaj Al Tayseer with 5154 rooms, as well as our second boutique hotel in Dubai, Hotel Indigo Dubai - Sustainable City. Luxury is still going strong however with over 3,600 Holiday Inn and Holiday Inn Express hotels open globally, there is no stopping these brands and they will continue to be our growth engines.

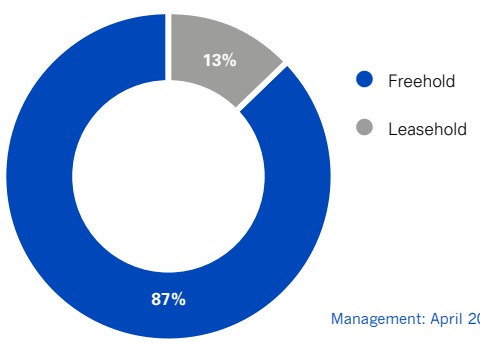
2015 has set us up well for this year – there is real momentum behind our growth and our brands are performing well in the market. The opportunity across the UAE remains clear and our team is going to be making the most of that throughout 2016."

Freehold & leasehold

Action Hotels combines both freehold and leasehold hotels within its portfolio and development pipeline to obtain optimal shareholder value.

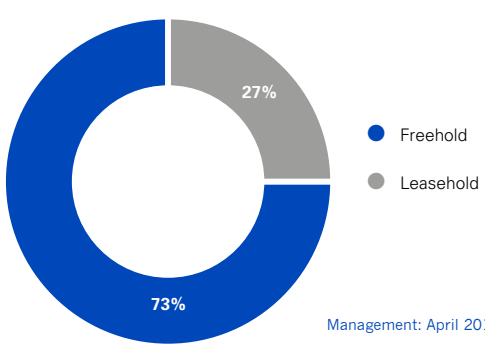
Action continues to be an asset-backed business. However, accelerated growth can be achieved by long-term leasing of hotels, which have reduced capital commitments and allows entry into certain markets or locations where we would not be able to enter otherwise.

Action Hotels percentage of freehold vs leasehold rooms (operating)



Management: April 2016

Action Hotels percentage of freehold vs leasehold rooms (operating and pipeline)



Management: April 2016

Our Partnership Model

As many hotel owners across the GCC continue to focus on high-end luxury hotels, many of the international branded hotel operators are actively seeking owners to partner with on three and four star hotels where they have identified the increasing demand and a gap in the market.

Given the limited number of owners focused on the development of three and four star hotels, the tendering process out to the operators can be highly competitive and allows Action to create competitive tension and agree attractive terms.

The choice of brand partner to operate the hotels is evaluated for every new development project and is selected on careful evaluation of the surrounding market as well as the best terms offered by each operator, in order to identify the best fit.

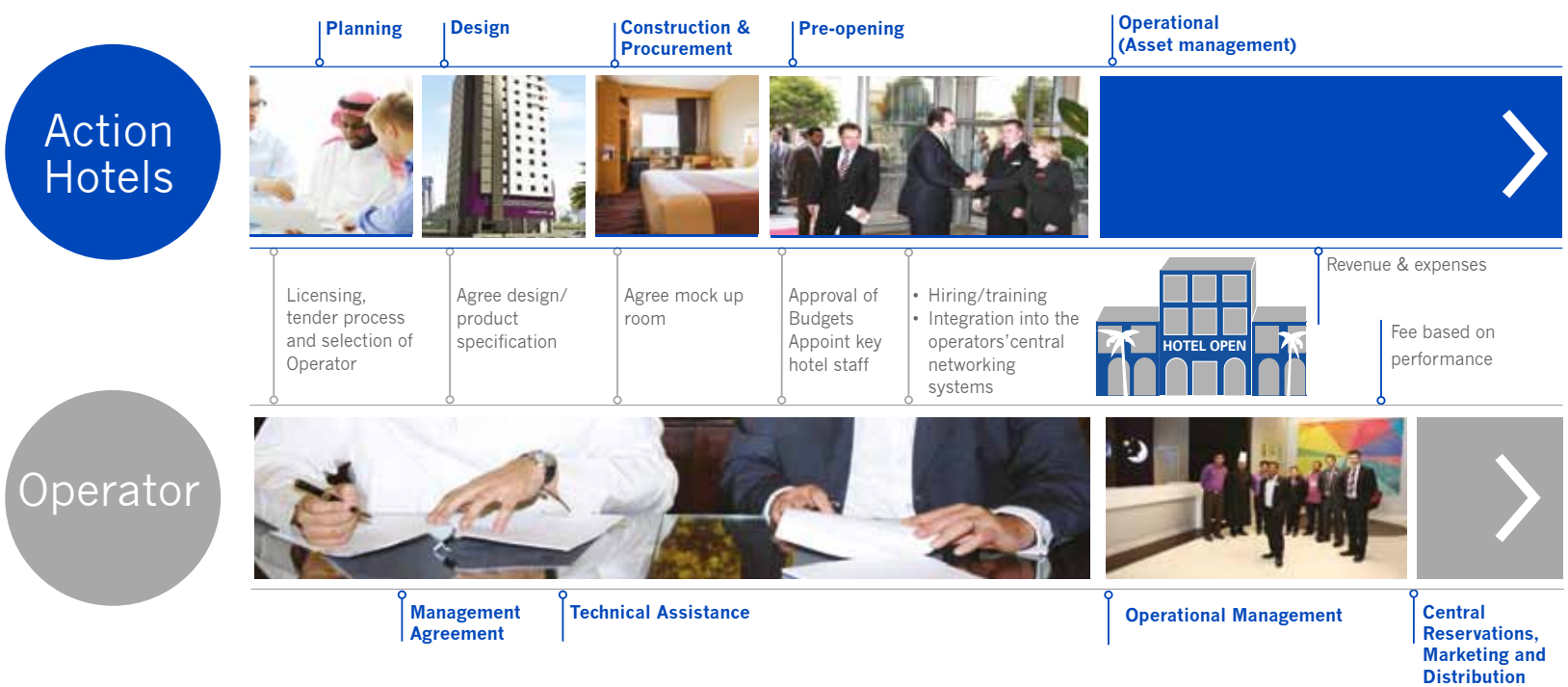
The operator is selected and brought into the development process in the early stages to ensure the hotel is designed to the standards of the brand, which drives optimum performance and operational efficiencies.

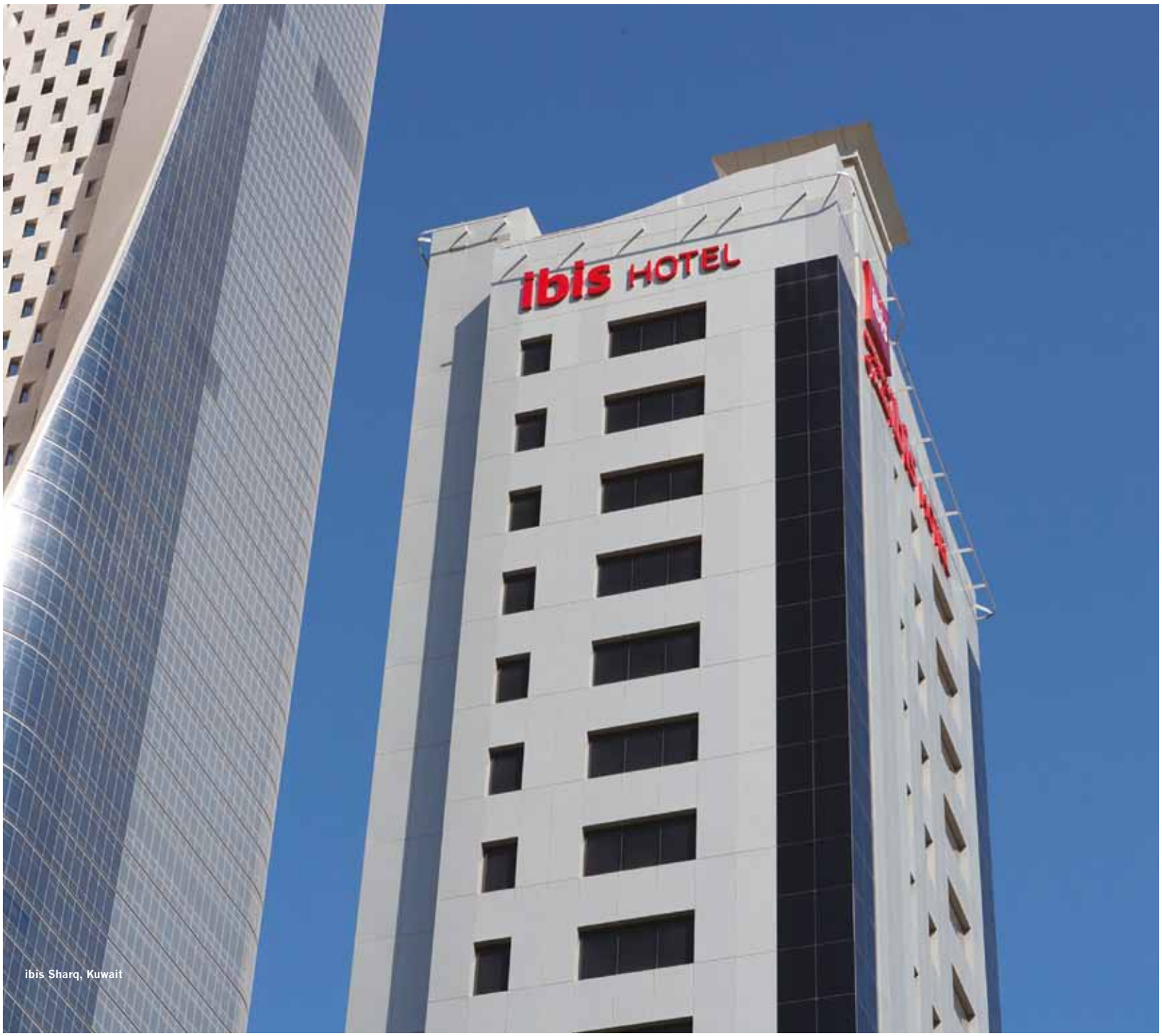
Once a hotel is open Action continues to work closely with the hotel operator in order to drive business and maximise performance.

The major advantages to partnering with internationally recognised hotel brands is that it allows access to their longstanding operational expertise as well as their advanced distribution, global marketing and booking resources and loyalty programmes.

Our partnership model explained

1. All key decisions relating to the hotel are made jointly between Action Hotels and the operator
2. All revenue and operating costs of the hotel accrue to Action Hotels
3. The operator is responsible for the day to day management and operations of the hotel
4. Interests of Acton Hotels and the operator are closely aligned with Action Hotels paying the operator a fee based on revenue and profit





ibis Sharq, Kuwait

Our Partnerships

"We have strong relationships with leading global hotel operators. We are able to select the most suitable brand for each development and create competitive tension to obtain highly attractive terms"

ACCORHOTELS

AccorHotels is a Group united by a shared passion for hospitality and driven by a shared promise to make everyone Feel Welcome.

Over 180,000 women and men in 3,800 AccorHotels establishments look after thousands of guests every day in 92 countries.

Mercure

With Mercure, AccorHotels offers a selection of locally inspired midscale hotels. Mercure hotels share common quality standards and are driven by passionate hoteliers. Whether they are located in major city centers, by the seaside or in mountain resorts, each establishment offers an authentic experience for both business and leisure travelers. The Mercure network spans 732 hotels in 55 countries around the globe, represents a real alternative to standardized or independent hotels, and combines the power of an international network with professional and digital expertise.

ibis brand family

The economy brand portfolio of the AccorHotels Group brings together the ibis, ibis Styles and ibis Budget brands. With almost 1,900 hotels in 63 countries, the ibis family shares common values: simplicity, modernity and wellbeing. Each of the three brands has its own special personality and range of hotel services: attentive and effective, ibis guarantees ultimate comfort and a high level of service; ibis Styles hotels each have their own unique design and a "happy mood" spirit; ibis budget offers a clever, casual choice with essential comfort at a budget price.

ibis

As one of the economy brands of AccorHotels, ibis has more than 1,000 hotels and 131,000 rooms in 61 countries. The brand innovates constantly to illustrate its values of modernity, comfort and availability. For example, it has created the revolutionary bedding concept Sweet BedTM by ibis; new common areas; the ibis kitchen modern food and beverage offer. It also cultivates a spirit of service that drives each of its employees. ibis is the first hotel brand to have obtained ISO 9001 certification – all of the network is practically certified – for its professionalism and reliability. In addition, 72% of the ibis network is ISO 14001-certified, concrete proof of the brand's environmental commitment. Created in 1974, today ibis is European leader in economy hotels and in 4th place in its category worldwide.

ibis Styles

ibis Styles is the brand of economy hotels with unique personalities and multiple design of AccorHotels.

These hotels come in a host of different styles and all feature simplicity, comfort, quality and conviviality. Located in or close to city centers, each property offers an upbeat, stylish, relaxed and fun setting.

The brand is distinctive for its "all-inclusive" package which includes the room, an all-you-can-eat breakfast buffet, high speed Wi-Fi Internet access and a host of other little extras. At the end of June 2015, the network comprised 283 hotels in 25 countries.

ibis Budget

ibis budget is AccorHotels' economy casual, nifty brand. ibis budget reflects the values of simplicity and essential. It is ideal for self-reliant customers and offers well-designed rooms for one, two, or three people, round-the-clock room access and an all-you-can-eat breakfast. Located near major roads and airports – and increasingly in cities – the ibis budget hotels deliver highly competitive value for money. With 541 hotels in 17 countries on June 2015, ibis budget is pursuing an international expansion strategy.

Louvre Hotels Group

Louvre Hotels Group is one of the largest and fastest growing hotel companies in the world, with a rich history including 6 leading brands in the budget to five star segments. The company has a strong presence in the region with 70 hotels currently operating across the MENA region (UAE, KSA, Bahrain, Egypt, Lebanon, Oman, Jordan, Algeria, Tunisia, Morocco, Kyrgyzstan, South of Sudan) with 12 Hotels opening in 2016 and an additional 35 properties in the pipeline which taking our growth to unrivalled position across the mid to upscale segments.

Through the commitment of shareholders Jin Jiang International, who themselves are the largest hotel owner and operator in China, Louvre Hotels Group's 6 brands which includes Tulip Inn, Golden Tulip, Royal Tulip, Campanile, Kyriad and Premier Classe are being developed for the next generation offering modern, relevant, efficient and entertaining concepts for all segments.

This has positioned Louvre Hotels Groups as a leader in the market, ranked the 5th largest hotel company in the world with over 640,000 keys.

Tulip Inn

As part of the Louvre Hotels Group, Tulip Inn presents a modern midscale offering with a portfolio of over 82 hotels a total of 8,184 rooms across 26 countries. Created in 1993, the brand offers full service market specific facilities focused on key city centers and business districts, presenting functionality, modern simplicity and approachable friendly services.

IHG® InterContinental Hotels Group

IHG® (InterContinental Hotels Group) is a global organisation with a broad portfolio of hotel brands, including InterContinental® Hotels & Resorts, Kimpton® Hotels & Restaurants, HUALUXE® Hotels and Resorts, Crowne Plaza® Hotels & Resorts, Hotel Indigo®, EVEN™ Hotels, Holiday Inn® Hotels & Resorts, Holiday Inn Express®, Staybridge Suites® and Candlewood Suites®.

IHG franchises, leases, manages or owns more than 5,000 hotels and 744,000 guest rooms in nearly 100 countries, with more than 1,300 hotels in its development pipeline. IHG also manages IHG® Rewards Club, the world's first and largest hotel loyalty programme with more than 92 million members worldwide.

InterContinental Hotels Group PLC is the Group's holding company and is incorporated in Great Britain and registered in England and Wales. More than 350,000 people work across IHG's hotels and corporate offices globally.

WHITBREAD – Premier Inn

Premier Inn is the UK and Ireland's biggest and fastest growing hotel company. The group operates over 650 budget hotels offering quality accommodation at affordable hotel prices.

Premier Inn International Hotels is part of the UK-listed company, Whitbread PLC, which owns and operates the UK's largest hotel brand, Premier Inn. Internationally, there are currently eight Premier Inn hotels across the Middle East and India and the brand has ambitious expansion plans to grow to fifty hotels (around 10,000 rooms) across the Middle East, India and Southeast Asia by 2018. Award-winning Premier Inn provides great value for money and uniquely offers customers a 'great night guarantee'. All bedrooms feature en-suite bathrooms, TV with various channels, and 30 minutes free WiFi Internet access.

ibis is one of the economy brands of AccorHotels and has more than 1,000 hotels and 124,000 rooms in 59 countries. The brand innovates constantly to illustrate its values of modernity, comfort and availability. For example, it has created the revolutionary bedding concept Sweet BedTM by ibis; new common areas; the ibis Kitchen modern food and beverage offer. It also cultivates a spirit of service that drives each of its employees. Created in 1974, today ibis is the European leader in economy hotels and in 4th place in its category worldwide. Action Hotels partners with AccorHotels under this brand in eight operational hotels.

AccorHotels and Action Hotels

Eight operational hotels

- ibis Sharq (Kuwait)
- ibis Salmiya (Kuwait)
- ibis Amman (Jordan)
- ibis Muscat (Oman)
- ibis Glen Waverley (Australia)
- ibis Seef (Bahrain)
- ibis Budget Melbourne Airport (Australia)
- ibis Styles Brisbane Elizabeth Street (Australia)

ibis Styles Brisbane Elizabeth Street

Holiday Inn: Started over 60 years ago and with 1,200 hotels worldwide today, the Holiday Inn® brand is one of the most widely recognised lodging brands in the world. For four consecutive years, the Holiday Inn brand has been ranked "Highest in Guest Satisfaction Among Mid-scale Full Service Hotel Chains", according to the J.D. Power and Associates North America Hotel Guest Satisfaction Index StudySM. There are currently 23 Holiday Inn properties in the Middle East and a further six hotels due to open over the next three to five years.

Staybridge Suites: The Staybridge Suites® brand is an innovative all-suite hotel brand designed to meet the needs of upscale extended stay guests. It is ideal for travellers seeking a residential-style hotel that is perfect for business, relocation and vacations. Three suite types (deluxe studio, one-bedroom and two-bedroom/two-bath suites) all feature comforts and conveniences of a fully equipped kitchen, free wifi, separate living and sleeping areas and enough space to settle in and stay awhile. Staybridge Suites currently has more than 200 hotels and 22,000 rooms globally, with 95 hotels in the pipeline. In the Middle East, there are currently three Staybridge Suites properties, with an additional five due to open over the next three to five years, including one with Action Hotels in Abu Dhabi.

IHG and Action Hotels

Holiday Inn Muscat Al Seeb (Oman)
Our first Holiday Inn branded hotel
Opened December 2013, 185 rooms

Holiday Inn Muscat Al Seeb

Premier Inn International Hotels is part of the UK-listed company, Whitbread PLC, which owns and operates the UK's largest hotel brand, Premier Inn. Internationally, there are currently eight Premier Inn hotels across the Middle East and India and the brand has ambitious expansion plans to grow to fifty hotels (around 10,000 rooms) across the Middle East, India and Southeast Asia by 2018. Award-winning Premier Inn provides great value for money and uniquely offers customers a 'great night guarantee'. All bedrooms feature en-suite bathrooms, TV with various channels, and 30 minutes free WiFi Internet access.

Premier Inn and Action Hotels

Premier Inn Sharjah King Faisal Street
Opened August 2015, 168 rooms

WHITBREAD

Premier Inn

Premier Inn Sharjah King Faisal Street

Golden Tulip: Tulip Inn

As part of the Golden Tulip hotel group, the Tulip Inn portfolio comprises 78 hotels with a total of 8,184 rooms across 24 countries. Created in 1993, the brand offers midscale, non-standardised hotels located in city centres and business districts, that are comfortable and functional and offering friendly service. Hotels within the Tulip Inn brand are designed to offer exceptional value for money.

Golden Tulip and Action Hotels

Tulip Inn Ras Al Khaimah
Opening H1 2016, 104 rooms

GOLDEN TULIP
HOTELS - SUITES - RESORTS
MENA

TULIP INN

Business Mix

"Intra-regional travel continues a steady upward trend within the region, underpinned by new investment and increasing economic diversification with tourism as a sector set to grow"

Action Hotels continues to focus on intra-regional travellers within the Middle East and Australia looking for quality, affordable, internationally branded hotel accommodation in a market saturated with upscale and luxury accommodation offerings.

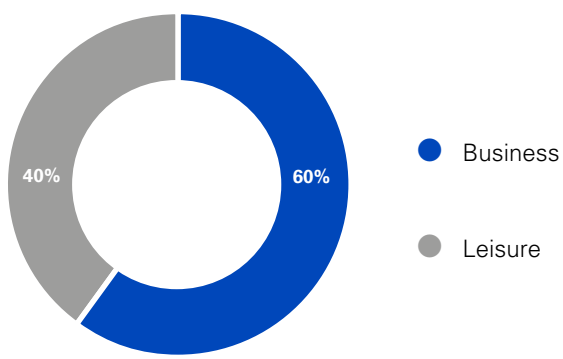
Intra-regional travel, both for business and for leisure in the form of domestic and religious tourism has continued to be a prevalent trend within the GCC and Action Hotels' strategy and business model has proven resilient against recent international economic and political downturns. Action Hotels has in fact profited from the recent oil price decline as corporate travellers are bound by more stringent travel budgets and therefore shying away from upscale and luxury hotels and looking towards more affordable, branded accommodation options. This is underpinned by the Company's business mix, which continues to comprise primarily business travellers, which make up approximately 60% of the customer base.

Action's properties offer a mix of amenities catering to both – with most of the hotels offering both standard as well as family/long stay rooms, which are essential for accommodating large families traveling for domestic and religious tourism purposes.

Gym and car parking facilities are also available at most of the hotels, as well as complimentary WiFi, 24-hour restaurants and fully equipped business centres with meeting and conference facilities.

Intra-regional travel is more resilient and not significantly affected by global trends in travel and tourism. Our guests are looking for more value-for-money options as travel budgets are put under pressure

Action Hotels 2015: Business/Leisure customer split



Source: Management, 2016

Corporate Social Responsibility

The long-term sustainability and growth of the hospitality industry is dependent on the social and environmental choices we make today. Our commitment to following socially responsible business practices is inherent in various aspects of our day-to-day operations and continues to play an increasingly important part in our strategic decision-making. Corporate social responsibility for us goes beyond legal compliance, we believe in making choices that create an environment of sustainable growth and contribute to a better society. We do this through the following initiatives, which have long played an integral part of our operations:




Corporate social responsibility programs across some of our hotels

ibis Glen Waverley, Australia

Race to Survive 2015 – In 2015 the annual Race to Survive trek took place in Gold Coast hinterland along the 'Kokoda Trail'. Over 200 employees from around the country were involved in the three-day challenge, which tested strength, endurance and resilience. The initiative raised over $460,000 for Mission Australia and $40,000 for the Kokoda Youth Foundation. Mission Australia works to reduce homelessness & strengthen communities across Australia while the Kokoda Youth Foundation supports young people by breaking cycles of welfare dependency, addressing mental health issues, advocating suicide prevention and supporting the values of courage, endurance, sacrifice and mateship.

ibis Glen Waverley raised over $7,000 of these funds through a number of internal activities.

Simon McGrath, Chief Operating Officer of AccorHotels Pacific said "Our hotels are proud to have strong connections with their local communities and we are overwhelmed by the number of AccorHotels employees who have been inspired to participate in this year's race to improve the lives of others who are less fortunate.

Diversity @ Accor Week – In June ibis Glen Waverley celebrated Diversity @ Accor week, focusing on the importance of diversity within the organization and celebrating different staff cultural backgrounds, ages and gender.

Premier Inn Sharjah, UAE

Red Crescent Blood Donor Drive 2015 – Our teams are committed to helping out wherever we are able to – we are passionate about contributing to those in need and with this in mind, our management team are leaders in going the extra mile and setting an example. The Red Crescent Blood Donor Drive saw our team actively engage with the community and there was a great deal of excitement garnered in the business about donating to a very worthy cause, both as a corporate team and further on the individual side.

Pillow and Quilt Donation – Supporting local workers During 2015 our teams worked through our pillow and quilt replenishment process – and as a result we were left with a large stockpile of obsolete bedding which, although of very high quality, was no longer able to be utilised as hotel grade. Under our Good Together charter, we partnered with a number of local employers who were struggling to provide quality bedding to their staff. As result, our excess high quality stock is now being put to good use across the UAE, further ensuring that a good night's sleep is guaranteed.

Greening initiative – Many of the local initiatives we participate in are centered around the importance of making a difference to our local environment. During the past year, our teams provided their time and effort to help 'green' the local area – through planting trees and shrubs in nature strips around our hotels, and engaging with local stakeholders to ensure the local environment remains cared for and nurtured. All levels of staff were involved, and took the time to actively support our local communities.

ibis Muscat, Oman

Planet 21 -Earth Hour, Blood Donation, Clean up – ibis Muscat observed Earth day in line with ibis "Planet 21" commitments.

The hotel team organised a much needed clean-up of the hotel surrounding area with segregation of the waste as part of their recycling process. The team also conducted a Blood donation with the local authorities.

Ramadan Activities – ibis Muscat hosted their Annual Corporate Iftar and invited key partners to celebrate the Holy month of Ramadan.

World Food Day – a food donation drive was organised amongst associates along with the participation of suppliers to donate to the local NGO Dar Al Atta to ensure on this particular day, some food is distributed to the local community in need.

Holiday Inn Muscat, Al Seeb

IHG Academy – IHG Academy provides locals with skills development and employment opportunities in one of the world's largest hotel companies. Within a common framework each IHG Academy is tailored to meet the needs of local communities and hotels. A number of employees from the hotel attend courses designed for personal and career development.

Chief Executive Officer's Review

2015 was another action-packed year of new hotel completions, openings and strong performances across our operational hotels, along with material progression of our development pipeline

Summary

- **Hotel portfolio**
- **Hotel completions and openings**
- **Operational performance**
- **New hotels performances**
- **Post year end hotel openings**
- **Pipeline**
- **Pipeline opportunities**
- **Current trading and outlook**

On a reported financial basis, we saw material growth in revenue of 16%, Adjusted EBITDA up 42% and net profit up 47% on last year. We also continued to further strengthen our asset backed position with a 5% increase in net asset value to USD 196m . Our strong growth in EBITDA is driven by continued positive operating performance, a strictly controlled cost environment and benefits from economies of scale with fixed and overhead expenses.

The performance of our operating hotels remains strong as the economy and mid-market hotel sector in which we operate remains significantly undersupplied. We are focused on maintaining high occupancy levels and keeping a stringent control on expenses, which are the key drivers to our low break-even occupancy and good performance.

Hotel portfolio

We remain focused on the completion of the pipeline as well as maximising the performance of our operational hotels and creating new development opportunities. The portfolio at the end of 2015 consisted of 10 completed hotels and 1,928 rooms, a growth of 92% since IPO (1,004 rooms in December 2013) with a further seven hotels and 721 rooms in the pipeline (this includes the 104-room hotel, where construction is complete and we are awaiting sign-off from local authorities) that will position Action Hotels as the region's leading hotel owner with a minimum 17 hotels and 2,649 rooms by 2018. In addition at the year end we had two key investment land plots in Dubai and Kuwait, and a further plot acquired in Q1 2016 in Dubai's Media City, which are expected to increase the number of hotels and rooms further in due course.

During the year we welcomed three new hotels, adding 545 rooms into our operational portfolio. We were delighted to open the 304-room ibis Seef and the 168-room Premier Inn Sharjah, two of our greenfield site developments and Action's debut in two new countries, Bahrain and the UAE. In October, we acquired the 73-room ibis Budget Melbourne Airport in Australia. Although our strategy to date has been focused on greenfield projects, we were able to acquire this profitable airport hotel at an attractive price and it is an excellent fit into our existing portfolio.

Hotel completions and openings

In addition to the 3 new hotels this year, during December we completed the construction of the largest freehold hotel in our portfolio, ibis Styles Brisbane Elizabeth Street and the Tulip Inn property in Ras Al Khaimah, where construction is now complete and we are awaiting final sign-off from local authorities. Our Brisbane property opened on 1st March 2016 and marks a milestone for Action Hotels as it is our 10th hotel. Along with the imminent opening of Tulip Inn Ras Al Khaimah, this will take us to 2,033 operating rooms.

This gave us a year-on-year increase in growth of our portfolio of 30% in completed rooms, again demonstrating another year of delivery to our shareholders.

Operational performance

Our operational hotels delivered another year of strong performance. During 2015, the portfolio consisted of 5 stabilised hotels (beyond year 3 of operations), the Holiday Inn Muscat in its second year, the opening of two new hotels and the acquisition of the ibis at Melbourne Airport in October.

Performance remains strong at the mature hotels (831 rooms), underpinning our strong operational profit and cash flow. Our hotels typically reach maturity after their 3rd year from opening where a steady occupancy, ADR and RevPAR is expected. Our two Kuwait hotels, ibis Sharq and ibis Salmiya enjoyed yet another excellent year with occupancies of 86% and 83% respectively. In Kuwait we are benefitting from economies of scale which are key drivers to superior operating profits. This cost sharing strategy is one that we will repeat in Bahrain, Oman and Melbourne with multiple hotels in those markets.

Holiday Inn Muscat performed well in its second year of operation, with occupancy and ADR growing by 7.9% and 4.2% respectively. It remains the only Holiday Inn brand in Oman and the hotel has established itself in the local market. I am also pleased to report that the hotel obtained its liquor licence, which will further support the hotel's exceptional performance.

New hotels performances

Our first hotel in Bahrain, the 304-room ibis Seef opened in Q1 2015 and displayed a promising first year. The hotel, which comprises of 304 rooms including 18 apartments is well positioned to attract families and business travellers. Since the opening, we have seen strong demand from business and leisure travellers from Saudi Arabia and we remain positive on the outlook for tourism in Bahrain.

In August we also opened the Premier Inn hotel in Sharjah, our first hotel with Premier Inn. The hotel, which has been fitted out in Premier Inn's newest product specifications is well positioned to service the local business market due to its prime location and the lack of other value-for-money hotel options within the Emirate. The hotel has already reached EBITDA profitability and has experienced promising occupancies with occupancy of 79% for the first quarter of 2016.

Chief Executive Officer's Review continued

Post year end hotel openings

In March 2016, we opened the ibis Styles Brisbane Elizabeth Street. Our opening event received a great deal of media attention when Sheikh Mubarak A M Al-Sabah, our Founder and Chairman officially opened the largest ibis branded hotel in Australia in presence of Queensland and Accor Hotels officials.

This addition to the portfolio marks the opening of our largest and 3rd hotel in Australia. Brisbane is a stable and growing market, set to benefit from record investment projects including the Brisbane Airport extension and the $2bn investment into the Queens Wharf casino, a retail and entertainment precinct which will be just adjacent to the ibis Styles. The design of this hotel, its unbeatable location, its contemporary style, and its great value for money will quickly attract a strong following.

We have also completed the construction of Tulip Inn Ras Al Khaimah. The hotel opening is experiencing a slight delay due to additional requirements requested by the local authorities, which are now in hand – the hotel is scheduled to open imminently.

Pipeline

Material progress was made across our development portfolio during the year as we look to open an additional three hotels during the course of 2016. The number of rooms in our development pipeline now stands at 721 rooms, taking our total room count to 2,649 by 2017.

Development works continue in Sohar, Oman for the opening of our first Accor branded Mercure hotel due in H2 2016. Along with this we continue to progress with two hotels in Saudi Arabia, Tulip Inn Modon Jeddah and Mercure Riyadh Olaya as well as a further hotel in Bahrain, ibis Styles Bahrain.

We also hold three development land plots in Dubai (Healthcare City and Media City) and Kuwait (Sharq) and are currently evaluating how best to optimise the values of these plots and are in discussions with a number of potential operators. We will update the market of our decisions on these in due course.

Pipeline opportunities

Our aim is to identify and develop high quality assets in key gateway locations which have the potential for significant positive returns for our stakeholders. We continue to increase the size of our development pipeline portfolio without the requirement for additional equity.

We are also reviewing additional hotel development opportunities across freehold, leasehold and by acquiring operational hotels all with the aim of reaching our target of 5,000 hotel rooms by 2020.

Current trading and outlook

Action Hotels has seen a good start to the year with an additional four hotels added to the portfolio. Overall, revenue compared to the same period last year is up 14% with stable performance at our operating hotels and new rooms contributing to the revenue growth.

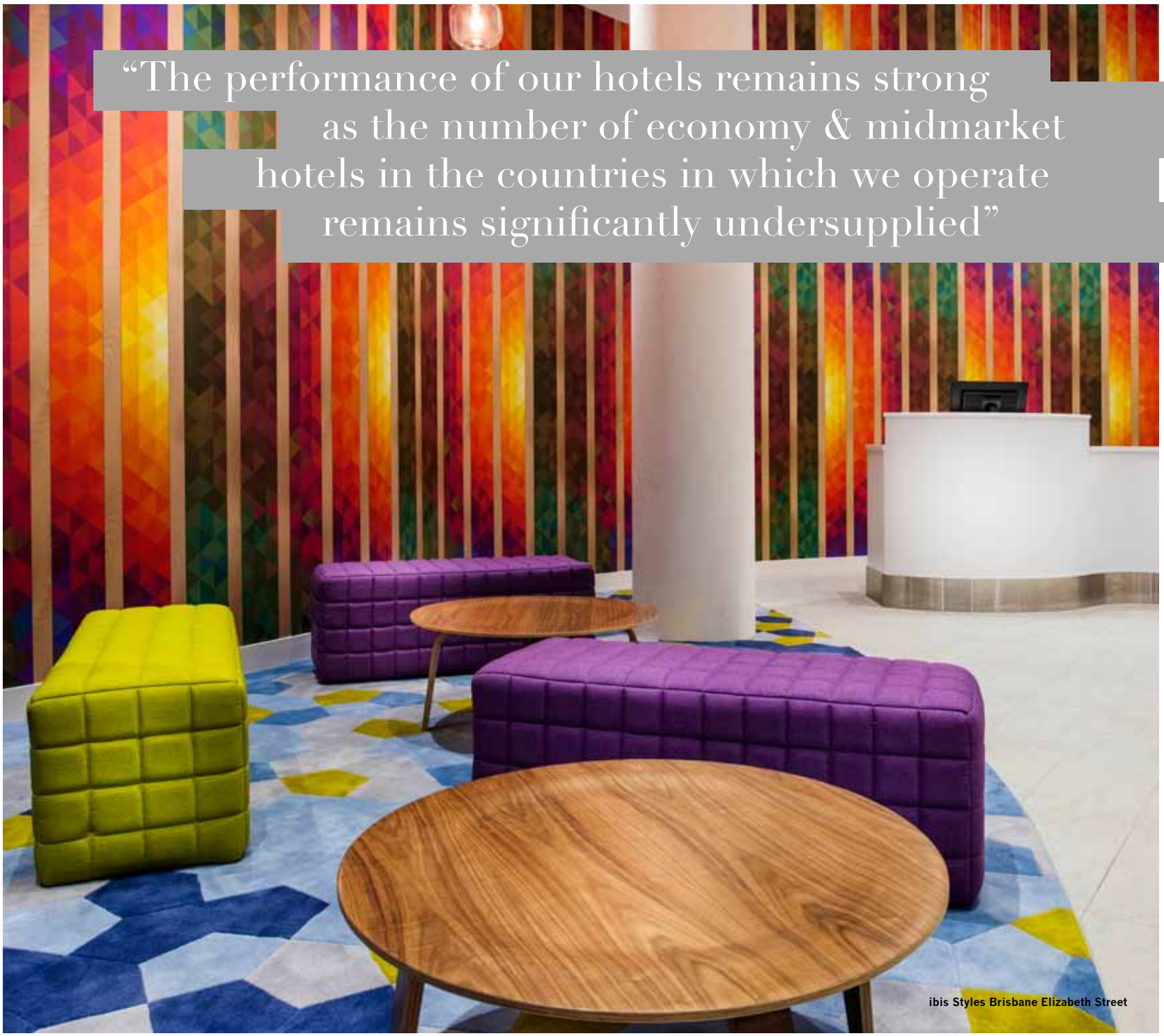
Occupancy at our mature hotels remains strong, with an average occupancy of 77%. The group continues to benefit from its regional coverage with market pressures in Jordan and Oman compensated by strong performance in other markets such as Kuwait, where our two hotels deliver a combined occupancy of 89.5%.

Our new hotels are also performing well. Our Premier Inn branded hotel in Sharjah, which opened in August 2015 is already delivering an average occupancy for Q1 of 79%, whilst the 304 room ibis in Bahrain achieved occupancy of 60.6% in the first quarter. Finally, the ibis Styles Brisbane Elizabeth Street, which opened on 1st March reported a positive GOP for its first month of operation.

Our focus is also on delivering the pipeline. Our next hotel opening will be the Tulip Inn Ras Al Khaimah in the coming weeks followed by the completion of four additional hotels by the year-end. We also continue to strengthen our development pipeline evident by the recent acquisition of a prime plot of land in Dubai's Innovation Hub, which we will join the pipeline in due course.

I am also delighted to announce that we are in the final stages of appointing a new group Finance Director who will be joining the Senior management. I look forward to welcoming him to the team and introducing him to our shareholders in due course.

Alain Debare
CEO



"The performance of our hotels remains strong as the number of economy & midmarket hotels in the countries in which we operate remains significantly undersupplied"

ibis Styles Brisbane Elizabeth Street

Finance Review

Action Hotels experienced another year of growth across all its key financial indicators – Revenue, EBITDA, Net profit and Net asset value during 2015 as a result of three new operational hotels, the leveraging and continued improved performances from our maturing hotels

	Year ended 31 December 2015 USD'000	Year ended 31 December 2014 USD'000
Revenue	**43,461**	37,572
Adjusted EBITDA[1]	**16,021**	11,262
Operating profit	**8,781**	6,079
Profit before tax	**2,992**	2,226
Tax charge	**(173)**	(332)
Profit/(loss) for the year attributable to owners of the company	**2,819**	1,894

Revenue

Reported total revenue for the year increased by 16% to USD 43.5m, with just over USD 5.2m as a result of new hotels openings in Bahrain and Sharjah and the acquisition of ibis Budget Melbourne Airport.

Revenue from Australia accounted for 14% of total revenue. We expect the percentage of total revenue attributable to Australia to increase over the coming year due to the opening of our largest hotel to date, ibis Styles Brisbane Elizabeth Street and a full year of trading from ibis Budget Melbourne Airport.

[1] Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised net of returns, rebates, municipality fees and discounts. Service charges collected from the customers are recorded as revenue, as the Group is required to provide the service to the customer in return for the receipt of the service charge

Operating profit, Adjusted EBITDA and Profit after Tax

Operating profit increased by USD 2.6 million to USD 8.7 million and adjusted EBITDA increased by 42% to USD 16 million driven by new hotel additions along with strong performances from our existing hotels.

EBITDA margin for the year increased by 23% on last year to 37% (2014: 30%) showing the results of our effective cost reduction and economies of scale. We are also seeing good profit conversion as revenue increases but our cost-base is fixed, i.e. the kicking in of operational gearing of previous investments into general and administration costs.

The improvement in performance, cost reduction and revaluations on our investment land improved profit after tax by 47% to USD 2.8 million (2014: $1.9 million).

Dividends

In line with the Board's intentions to pay a progressive dividend to shareholders, it proposes a final dividend in respect of the year ended 31 December 2015 of GBP 1.47 pence sterling per share, taking the total dividend for the year to GBP 2.21 pence sterling per share. The dividend is expected to be paid on 31 May 2016, subject to the approval of the dividend at the Company's annual general meeting, which is expected to occur on 18 May 2016. It is expected that the Company's ordinary shares will be marked ex-entitlement to such dividend on 28 April 2016, and the dividend will be payable to all shareholders on the Company's share register at the close of business on 29 April 2016.

Financial Position

Due to the material investment and acceleration of the pipeline, total bank debt as at 31 December 2015 increased to USD 194 million (2014: USD 109.9 million) with cash and cash equivalents at USD 9.5 million. Total gearing at the year end was 58% (2014: 55%) and Loan to Value (LTV) was 49.5% (2014: 37%).

	Year ended 31 December 2015 USD'000	Year ended 31 December 2014 USD'000
Bank loans	**193,576**	109,900
Loans due to related party	**–**	–
Less: Cash and bank balances	**9,541**	6,734
Net debt	**184,035**	103,167
Total equity	**195,889**	185,989
Total capital resources	**379,924**	289,156
Net debt to equity ratio	**94%**	55%
Loan to Value (LTV)[2]	**49%**	37%

Property revaluations

Independent property valuations were prepared by Jones Lang LaSalle on our Middle Eastern properties, CBRE on our Australian properties and Hamptons International on our investment land.

The valuations of the operational freehold hotels are included in the Statement of Financial Position and fair value, which are revalued annually.

Revenue recognition

Adjusted EBITDA has been defined as operating profit before depreciation, amortisation, restructuring and listing costs, gains and losses arising from the disposal of property, plant and equipment, pre-opening costs and other non-recurring expenses-net.

[2] Loan to Value is defined as total debt as a percentage of non-current assets

Finance Review continued

Net Asset Value and adjusted Net Assets

Reported Net Asset Value for the Group increased by 5.4% to USD 196 million as we continued to progress our hotel pipeline. Adjusted Net Assets Value is the net asset value of the Group adjusted for the deferred tax provisions on the revaluation on our properties. The deferred tax provisions at the year end amounted to USD 10.5 million and would only become payable if these revalued assets were sold.

As at 31 December 2015 the Adjusted net asset value was USD 206.4 million, an increase of 6% on 2014 (2104: USD 194.8 million) and an adjusted net asset value per share of USD 1.40 (GBP 0.95 pence) per share (2014: USD 1.32 per share/GBP 0.87 pence per share).

	2015 USD'000	2014 USD'000
Net assets	**195,889**	185,989
Deferred tax provision	**10,457**	8,770
Adjusted net asset value	**206,346**	194,759
Number of shares	**147,637**	147,637
Adjusted net asset value per share ($)	**1.40**	1.32
Adjusted net asset value per share (£)	**0.95**	0.87

Looking ahead

The first quarter of 2016 has started well with revenue up 14% on the same period last year, as our new hotels started to contribute.

At the operating hotel level the adjusted GOP also saw a sharp increase of 12% and an increase in operational EBITDA of 15% over the same period last year.

Notable contributions again came from the two Kuwait hotels which achieved occupancy levels of just under 90%.

We look forward to updating on financial progress at our 2016 interim results later this year.

I would like to thank the Board and the finance team for their support and hard work during the past year and I look forward to welcoming our new Group Finance Director.

Katie Shelton
Interim Group Chief Financial Officer and Director of Corporate Affairs

Principal Risks and Uncertainties

The Board regularly reviews the risks to which the Group is exposed and actively ensures that these risks are minimised as far as possible.

Risks relating to the Middle East

- Instability and uncertainties relating to the legal and regulatory environment in the countries in which the Group operates or may operate in the future could have a material adverse effect on the Group's business, financial condition and results of operations.

- Governmental authorities in some countries in which the Group operates or may operate in the future may have a high degree of discretion and, at times, act selectively or arbitrarily, and sometimes in a manner that is contrary to law or influenced by political or commercial considerations which may include, among other things, the expropriation of property without adequate compensation or limitations on repatriation of profits and/or dividends.

- Conducting business in international markets brings with it inherent risks associated with security of staff or property, enforcement of obligations, fraud, bribery and corruption. In certain jurisdictions, fraud, bribery and corruption are more common than in others. Action Hotels has adopted an anticorruption and fraud policy with which it requires its employees to comply. The Group also intends to implement other safeguards and programs across its business, designed to promote the highest standard of business practices and prevent the occurrence of fraud, bribery and corruption.

- Instability and unrest in the MENA region may significantly impact the economies in which the Group does business, including both the financial markets and the real economy. Such impacts could occur through a lower flow of foreign direct investment into the region, capital outflows or increased volatility in the global and regional financial markets. Although the GCC (in which the Group generally operates) has not been directly impacted by the unrest in the broader region to date, it is unclear what impact this unrest may have on the GCC or any of the countries in which the Group does business in the future.

- The Group operates predominantly in the GCC, which is generally viewed as an area with developing economies. Some countries in which the Group does business do not have firmly established legal and regulatory systems, and some of them, from time to time, have experienced economic, social or political instability. Some of these countries are in the process of transitioning to a market economy and, as a result, are experiencing changes in their economies and their government policies that can affect the Group's business in these countries.

- GCC jurisdictions have local ownership requirements stating that only nationals of the relevant jurisdiction or of the GCC may hold interests in real estate property. Although each of the Group's real estate properties is held by a GCC entity, ultimately the Company, which is incorporated in Jersey, has an indirect economic interest in the relevant real estate property interests. Having taken appropriate legal advice, the Group has sought to address this issue by implementing a corporate structure, as a result of which 100% of the voting rights of the intermediate holding company resident in the GCC is owned directly by Action Group Holdings (the principal shareholder).

Risks relating to Action Hotels' business

- The rapid development and establishment of hotels in the markets in which the Group intends to operate may raise unanticipated operational or control risks. The Group has experienced substantial growth and development in a relatively short period of time and the Directors believe that the Group will continue to grow its business at a relatively rapid rate for the foreseeable future. Management of growth will require, among other things:

    - continued development of financial and management controls and information technology systems and their implementation in newly established or acquired assets;

    - integration of business culture and adoption of policies and best practices;

    - increased marketing activities; and

    - identifying, hiring and training new qualified personnel.

Majority shareholder risk

Action Group Holdings (AGH) holds 65.7% of the issued share capital and voting rights in the Company. Whilst the Company has entered into the Relationship Agreement with AGH to govern the relationship between them, AGH owns a significant proportion of the Ordinary Shares and will control a large proportion of the voting rights in the Group. The interests of AGH could conflict with the interests of other holders of Ordinary Shares, and AGH could make decisions that could have a material adverse effect on the Group's business, revenues, financial condition, results of operations or prospects or trading price of the Ordinary Shares.

Principal Risks and Uncertainties continued

Key employee risk

The Group believes that its growth is largely attributable to the efforts and abilities of the members of its senior management team and in part on its relationship with Sheikh Mubarak, who has played and continues to play an important role in the business. If one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them easily, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to Action Hotels' properties and operations

Property investments are subject to varying degrees of risks. Values are affected (among other things) by changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. The value of the Group's property portfolio may also fluctuate as a result of other factors outside the Group's control, such as changes in regulatory requirements and applicable laws (including in relation to taxation and planning), political conditions, the condition of financial markets, potentially adverse tax consequences, interest and inflation rate fluctuations and higher accounting and control expenses. The Group's operating performance could be adversely affected by a downturn in the property market in terms of capital values.

Construction and capital expenditure requirements

Some of the Group's new hotels are under construction or in the initial stages of development. These and the pipeline hotels have significant capital expenditure requirements. The Group's operating hotels will need renovations and other capital improvements, including replacements, from time to time, of FF&E.

Some of these capital improvements are mandated by health, safety or other regulations or by the standards of the hotel operators. Construction of new hotels and capital improvements of operating hotels may give rise to a variety of risks:

- inability to obtain construction financing or, if the Group finances development projects through construction loans, permanent financing, in any case, at all or on favourable terms;
- requirement to make significant current capital expenditures for certain hotels without receiving revenue from these hotels until future periods;
- inability to complete development projects on schedule or within budgeted amounts;
- delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorisations; and
- fluctuations in occupancy rates and ADR at newly developed or renovated properties due to a number of factors, including market and economic conditions, that may result in the Group's investments not being profitable.

Risks relating to the hotel industry

- a downturn in international market conditions or the national, regional and/or local political, economic and market conditions in the countries in which the Group operates, may diminish the demand for leisure and business travel and meeting/ conference space;
- the impact of acts of war or increased tensions between countries, increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- increased competition and periodic local oversupply of guest accommodation in the cities in which the Group has hotels;
- changes in travel patterns or in the structure of the travel industry, including any increase in, or the imposition of new taxes on, air travel;
- increases in operating expenses as a result of inflation, increased personnel costs and health-care related costs, higher utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs as a result of acts of nature and their consequences and other factors that may not be offset by increased room rates;

- seasonality, in that the Group's hotels are located in the Middle East and Australia where they may experience varying levels of occupancy during different seasons; and
- changes in governmental laws and regulations, including those relating to employment, the preparation and sale of food and beverages, smoking, health and alcohol licensing laws and environmental concerns, fiscal policies and zoning ordinances and the related costs of compliance.

The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels in the Group's hotels, or otherwise cause a reduction in the Group's income.

Such factors (or a combination of them) may also adversely affect the value of the Group's hotels and in either such case would have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to Action Hotels' borrowing

The Group funds and will continue to fund its hotel projects partially through borrowings. The debt to equity ratio is likely to differ in respect of each project, and increases in interest rates could affect the Group's ability to fund future developments on favourable terms. The extent of borrowings and their terms will depend on the Group's ability to obtain credit facilities, the lender's estimate of the stability of each project's cash flow and the Middle East and Australian debt markets at any time. Any delay or failure in obtaining suitable and adequate financing from time to time may impair the Group's ability to develop the hotel projects within the anticipated timeframe, (or at all) and this would have a material adverse effect on the Group's ability to achieve its investment performance and increase in value for its Shareholders.

Risks relating to taxation

The Group has historically enjoyed low or nil tax rates in most of the countries in which it has operated, reflecting the low tax regimes in the jurisdictions in which they operate. The quantum of tax levied on the Group's profits is subject to change in the event that applicable tax rates or laws alter in the future. There are inherent uncertainties regarding tax authority practice in some of the countries in which the Group operates which could affect the Group's future tax position.

Financial Instruments

As at 31 December 2015 the Group had a number of financial instruments. Disclosures for these items including the Group's management approach to financial risk can be found in note 27.

Insurance Coverage

The Group has various insurance policies in place suitable for a hotel developer and operator. These are arranged via an insurance broker and coverage includes a. Operational (public liability, travel and medical coverage and assistance), b. Buildings and Property insurance, c. Political violence and terrorism sabotage cover. This is reviewed at least annually and adapted as required.

Internal Controls and Risk Management

The Directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities the Directors have put in place a framework of controls to ensure as far as possible that on-going financial performance is monitored in a timely manner, and if required corrective action is taken and that risk is identified as early as practically possible demonstrating the effectiveness of internal financial controls. The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

Forward Looking Statements

This Annual Report contains certain forward-looking statements that have been made by the Directors in good faith, based on the information available at the time of the approval of the Annual Report.

By their nature, such forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements.

Board of Directors

H.E. Sheikh Mubarak Al Abdullah Al-Mubarak Al-Sabah
Non-Executive Chairman

Sheikh Mubarak Al Abdullah Al-Mubarak Al-Sabah (Founder and Chairman) is a business leader and prominent figure in the Kuwait commerce and social sectors. He has been instrumental in spearheading a number of real estate, hospitality and investment projects, which have all served to raise international standards in Kuwait and the Middle East.

Sheikh Mubarak has a distinguished academic record; he holds an MPhil in International Relations from the University of Cambridge (UK), and a BA (Hons.) in Politics with Economics from the University of Buckingham (UK). In addition, he is a graduate of The Royal Military Academy of Sandhurst (UK), and served in the Kuwaiti Armed Forces, as an Armoured Officer.

He is the Vice Chairman of Action Group Holdings (AGH), a Kuwait based investment company with particular emphasis on real estate development and acquisitions in the GCC, Europe and Australia. He is also the Founder and Chairman of Action Real Estate (K.S.C.C), one of Kuwait's major private real estate companies that has a portfolio of assets across the Middle East.

Sheikh Mubarak has been on several boards of companies and is the founding Chairman of Qurain Petrochemical Industries Company K.S.C., a public listed company of Kuwait. He also serves as a board member of EQUATE, Kuwait's first and largest international joint venture in the petrochemical sector. Sheikh Mubarak is currently on the board of Egypt Kuwait Holdings, a MENA investment company with a diversified portfolio of investments, listed on the Kuwait and Egypt stock exchange.

He was honoured as a Young Global Leader (YGL) in 2009 by the World Economic Forum, and is also a member of the World Travel & Tourism Council (WTTC). Sheikh Mubarak is a member of YPO-WPO International since August 2010, and a number of other professional organisations; he also has a particular interest in international affairs. In addition, he is a member of The Royal Institute of International Affairs, the Kuwait Economic Society and is also actively involved in Kuwait-British Relations.

As Founder and Chairman of Action Hotels plc, Sheikh Mubarak provides direction for the executive team and overseas the setting and implementation of the company's direction and strategy.

Through his extensive network of relationships across the region and within the hotel industry, Sheikh Mubarak is actively involved in the identification of new developments and opportunities.

Alain Debare
Chief Executive Officer

Alain is a highly experienced hotel professional having worked in hotel operations with leading hotel management companies, including Mandarin Oriental and Hilton Hotels Corporation, working his way through to reach general management. Alain has broad international management and operational experience having worked in the Philippines, France, Venezuela, Brazil, Spain and the Middle East.

Alain joined the company in 2008 shortly after its inception and has been key to its development. During his tenure as Chief Executive, Alain has led the continued growth of the Company, including its successful admission to the AIM market of the London Stock Exchange where its shares began trading in December 2013. As a result of this transaction, Action Hotels raised $50 million from high quality institutional investors and is a leading business in the economy and midscale hotel sector. Action Hotels plc is the first business of its kind created in the Middle East to list on AIM.

He is a graduate of the University of Lyon, France and Institut Paul Bocuse in Lyon, France where he received a BA in Hotel Management and Certification in Hospitality Investments and Asset Management from Cornell University.

Alain oversees the Company's executive management, with a key focus on strategy and the development of the portfolio. Driven by his sector knowledge, Alain is closely involved in sourcing new projects as well as working with partner hotel brands in developing and operating profitable hotels.

Stefan Allesch-Taylor CBE
Non-Executive Deputy Chairman

Stefan has served as either Chairman or CEO of both public and private companies in the property, retail, medical, industrial, telecommunications, asset management and financial services sectors in the UK, US and Europe for 25 years.

He is the co-founder, former Chairman and a Supervisory Board Member of Global Evolution A/S, a fund manager specialising in the emerging markets. Stefan is the co-founder and co-chairman of The Department of Coffee & Social Affairs, an independent coffee company in London. He is a Non-Executive Director of Clearbrook Capital Private Equity LLP and of The International Stadia Group Limited. He is the Senior Partner of Phoenix Strategy International, a UAE based advisory company.

Stefan is also the Chairman and/or co-founder of several UK and international charities and social ventures providing the relief of poverty and improved education for over 1.35 million people in the UK and Sub-Sahara Africa.

John Johnston
Non-Executive Director

John is an experienced Non-Executive Director. He is currently Non-Executive Chairman of Constellation Healthcare Technologies, Non-Executive Director of Flowgroup plc and Non-Executive Director of Midatech plc all of which are listed on AIM of the London Stock Exchange. Prior to this, John was Managing Director of Institutional Sales at Nomura Code.

He was previously Director of Sales and Trading at Seymour Pierce from 2008 to 2011. In 2003, John founded Revera Asset Management, where he oversaw an investment trust, a unit trust and a hedge fund, which he ran until 2007. From 1992 to 1997, John was Head of Small Companies at Scottish Amicable, before spending a year at Ivory and Sime, again as Head of Small Companies from 1997 to 1998.

He joined Legg Mason Investors for three years as Director of Small Companies Technology and Venture Capital Trusts, from 2000 to 2003 having previously spent two years as Head of Small Companies with Murray Johnstone. John began his investment career at the Royal Bank of Scotland in 1981, working in the Trustee and Investment department, before moving to General Accident in 1985, holding the position of Head of Retail Funds before his move to Scottish Amicable.

Board of Directors continued

Raymond Chigot
Non-Executive Director

Raymond is a veteran hotelier and an Accredited Expert of the Hotel Industry at the Court of Appeal of Paris since 1995. He has over 40 years' experience in hospitality after a successful career in hotel operations and development with Holiday Inn and HiltonHotels.

He was instrumental in the early development of Holiday Inn in Europe and taking the Holiday Inn brand to the MENA region.

He then joined Hilton International as Senior Vice President, driving the company's growth in EMEA and was involved in the opening of 50 new Hilton Hotels in 31 countries during his tenure.

Rawaf I. Bourisli
Development Director

Rawaf is a qualified architect and expert in the field of mixed use and mid class development with over 15 years of professional experience in design, project management and real estate development throughout the Middle East. In 2007 he was appointed General Manager of Action Real Estate Company (AREC), a leading real estate company based in Kuwait focused on development, advisory project management and overseeing the execution of projects, design and construction.

Prior to this Rawaf was Chairman of the Integrated International Group Kuwait, a project management and consultancy company active in the MENA region.

Earlier in his career Rawaf was the PMC Manager of Kuwait Dynamics Ltd, a project management and construction company registered with the Kuwaiti Ministry of Planning.

Rawaf has a BSc in Architecture from Oklahoma State University where he was awarded the Iron Design Certificate. He is a serving member of the Kuwait Society of Engineers and is a regular speaker on budget & mid-market hotel developments in the Middle East.

Directors' Report

The directors present their annual report and the Group's audited financial statements for the year ended 31 December 2015.

Financial Results and Dividends

The results of the Group for the year are shown on page 50, in the consolidated income statement.

The Board is proposing a dividend of GBP 1.47 pence Sterling per share, taking the full year dividend to GBP 2.21 pence Sterling per share (2014: GBP 2.17 pence Sterling per share). Subject to shareholder approval, this will be paid on 31 May 2016 to all shareholders on the register by the close of business on 29 April 2016.

Review of the Business

A review of the business for the year ended 31 December 2015 as well as future developments can be seen by reviewing the Chairman's statement, the Chief Executive Officer's review, the Strategic Report and the Financial Review on pages 14 to 36.

Directors and Director's Interests

The directors who held office during the year and to the date of this report were as follows:

Sheikh Mubarak Al-Sabah
Non Executive Chairman

Alain Debare
Chief Executive Officer

Rawaf Bourisli
Executive Director

Stefan Allesch Taylor
Deputy Chairman and Senior Independent Non-executive Director

John Johnson
Independent Non-executive Director

Raymond Chigot
Non-executive Director

The directors' remuneration and their interests in the share capital of the Company are set out in the Remuneration Report on page 47.

Substantial Shareholders

Fund Manager	24 February 2016
Action Group Holding Company (K.S.C.C)	65.74%
Blakeney Funds	11.96%
Legal & General Investment Management	3.23%

Political and Charitable Donations

There were no charitable or political donations made during the year ended 31 December 2015.

Directors' Report continued

Corporate, Social and Environmental Responsibility

The Board considers the significance of social, environmental and ethical matters affecting the business of Action Hotels which can be seen on page 29.

The Board has adopted an approach to Corporate Social Responsibility that seeks to protect the interests of the Group's stakeholders through individual policies and through ethical and transparent actions.

The Board has adopted an Anti-corruption Policy and a Whistle Blowing Policy.

Shareholders

The Group values its dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy.

We have a dedicated Director of Corporate Affairs, Katie Shelton (who is also our Interim Group Chief Financial Officer) based in London, to manage all such communications and report to the Board where appropriate. Private investors are encouraged to participate in the Annual General Meeting at which the Board presents a review of the results. The Remuneration Committee will be available at the Annual General Meeting to answer any shareholder questions.

The Annual General Meeting will be held on 3 May 2016.

Environment

The Group's environmental policies seek to comply with the local regulatory requirements in the various regions where they operate.

Employees and Diversity

The Board encourages a transparent approach to dealing with its employees and seeks to remunerate its employees fairly, being flexible where practicable. The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Group takes account of employees' interests when making decisions and welcomes suggestions from employees aimed at improving the performance of the business.

The Group currently operates throughout the Middle East and Australia. It complies with the various employment rules applicable in the various countries and employs as many nationals as possible.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all within the terms agreed.

Health and Safety

The Board recognises it has a responsibility to provide strategic leadership and direction in the development of the Group's health and safety strategy in order to protect all of its stakeholders.

Going Concern

The Group has reported accumulated losses of USD 32.89 million (2014: USD 29.48 million) as at 31 December 2015, and as of that date, the Group's current liabilities exceed its current assets by USD 11.11 million (2014: current assets exceed current liabilities by USD 8.78 million). Total assets continue to exceed total liabilities by USD 195.89 million (2014: USD 185.99 million).

Notwithstanding this, the financial statements have been prepared on the going concern basis. The Directors have made this assessment after consideration of the Group's expenditure commitments, current financial projections and expected future cash flows, together with the available cash resources and undrawn committed borrowing facilities.

Further information on the Group's business activities, cash flows, liquidity and performance are set out in the Directors' report and Strategic report and its objectives, policies and processes for managing its capital and financial risks are detailed in note 2.1.

Website Publication
The directors are responsible for ensuring the annual report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Post Balance Sheet Events
After the statement of financial position date, the Group acquired a prime freehold plot of land located in Innovation Hub, within Dubai's Media City, from Innovation Hub FZLLC, a subsidiary of TECOM Group.

Auditors
The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office as auditor, and a resolution to reappoint them will be forthcoming at the Annual General Meeting.

This report was approved by order of the Board on 18 April 2016.

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the profit and loss for that year.

In preparing those financial statements the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue the business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

As far as the Directors are aware, there is no relevant audit information that has not been disclosed to the company's auditors. Each Director has taken all the steps that he ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This statement was approved by order of the Board on 18 April 2016.

Alain Debare
Chief Executive Officer

Remuneration Report

Remuneration Committee

The Remuneration Committee comprises of John Johnston (Chair), Stefan-Allesch Taylor and Raymond Chigot and meets at least twice a year.

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service, granting of share options and other equity incentives.

Remuneration Policy

The objectives of the remuneration policy are to ensure that the overall remuneration of the Executive Directors is aligned with the performance of the Group and preserves an appropriate balance of income and shareholder value.

The committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

In exercising this role, the Directors have regard to the recommendations put forward by the QCA Guidelines and, where appropriate, the Corporate Governance Code guidelines.

Non-Executive Directors

Remuneration of the Non-executive Directors, including the Chairman, is determined by the Executive Directors. Non-executive Directors are not entitled to annual bonuses or employee benefits. They are entitled to participate in share option arrangements relating to the Group's shares. Each of the Non-executive Directors have a letter of appointment stating their annual fee and that their appointment may be terminated with a minimum of three month's written notice.

Director Remuneration

The normal remuneration arrangements for Executive Directors consist of Directors' fees, basic salary and annual performance-related bonuses.

In addition, they receive accommodation allowance, permanent health insurance, pension contributions, life insurance, car allowance and school fees.

The information provided in the following pages of this report is unaudited unless stated.

Executive Directors' remuneration (audited)

	Director's remuneration (in USD)	
Chairman and Executive Directors	Alain Debare	Rawaf Bourisl
Salary and fees	250,000	120,000
Other benefits	167,867	–
Total remuneration for the year ended 31 December 2015	**417,867**	**120,000**

Non executive directors' remuneration (audited)

Non-Executive Directors	Sheikh Mubarak A.M. Al-Sabah	Stefan Paul Allesch-Taylor	Raymond Chigot	John Johnston
Salary and fees	76,406	76,406	76,406	76,406
Other taxable benefits	–	–	–	–
Total remuneration for the year ended 31 December 2015	**76,406**	**76,406**	**76,406**	**76,406**

Remuneration Report continued

Director's interests

The Directors who held office as at 31 December 2015 had the following interest in shares of the Company.

Name of director	Number of ordinary shares
Rawaf Bourisli	2,620,046
Alain Debare	253,936
Stefan Allesch-Taylor	144,928
John Johnston	47,638

The interest held for Sheikh Mubarak Al-Sabah is held via Action Group Holdings KSCC, a company which holds investments for the Al-Sabah family.

Director's share options

Alain Debare	
Number of shares under option	4,429,116
Exercise price	GBP £0.64
Date of grant	23 December 2013

Exercise conditions

- One third of the option shares shall vest on the first anniversary of the date when the option is granted.
- A further one third of the shares shall vest of the second anniversary and the remaining one third shall vest on the third anniversary. The options only become exercisable if both the following are met:
    - The Option holder remains as an employee of the Company for a period of six months after the end of the accounting period in which relevant vesting takes place; and
    - The share options are exercised within three years of the relevant vesting dates.

Further details regarding share options are included in note 25 to the financial statements.

John Johnston
Chair of the Remuneration Committee

Date 18 April 2016

Financial Statements

Independent Auditor's Report
for the year ended 31 December 2015

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Action Hotels plc ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements
The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of Jersey law. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report on other legal and regulatory requirements
We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. The other information comprises the 2014 Highlights, Timeline, Geographical Presence, Chairman's Statement, Strategic Report, Chief Executive Officer's Review, Finance Review, Principle Risks and Uncertainties, Board of Directors, Directors' Report, Statement of Directors' Responsibilities and Remuneration Report.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Viren Lodhia
For and on behalf of PricewaterhouseCoopers
Dubai, United Arab Emirates
18 April 2016

Consolidation Income Statement
for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 USD'000	Year ended 31 December 2014 USD'000
Revenue		**43,461**	37,572
Cost of sales		**(11,282)**	(10,040)
Gross profit		**32,179**	27,532
General and administrative expenses		**(23,398)**	(21,453)
Operating profit		**8,781**	6,079
Adjusted EBITDA	5	**16,021**	11,262
Depreciation and amortisation	13, 15	**(6,135)**	(4,466)
Restructuring and listing costs	8	**–**	(187)
Pre-opening expenses		**(1,099)**	(530)
Other expenses – net		**(6)**	–
Operating profit	5	**8,781**	6,079
Finance income	9	**218**	585
Finance costs	10	**(6,007)**	(4,438)
Finance costs – net		**(5,789)**	(3,853)
Profit before income tax		**2,992**	2,226
Income tax expense	11	**(173)**	(332)
Profit for the year		**2,819**	1,894
Profit is attributable to:			
Owners of Action Hotels plc		**1,452**	1,894
Non-controlling interests		**1,367**	–
		2,819	1,894
Earnings per share attributable to equity holders of the company:			
Basic earnings per share	12	**1.9 c**	1.3 c
Diluted earnings per share	12	**1.9 c**	1.3 c

All operations were continuing throughout the years. The accompanying notes on pages 56 to 101 are an integral part of these consolidated financial statements.

Consolidation Statement Comprehensive Income

for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 USD'000	Year ended 31 December 2014 USD'000
Profit for the year		**2,819**	1,894
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of land and buildings	15	**5,558**	21,771
Tax charge relating to revaluation	11	**(2,295)**	(54)
		3,263	21,717
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	24	**(5,811)**	(5,614)
Other comprehensive (loss)/income for the year net of tax		**(2,548)**	16,103
Total comprehensive (loss)/income for the year		**271**	17,997
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Action Hotels plc		**(1,710)**	17,997
Non-controlling interests		**1,981**	–
		271	17,997

Total comprehensive income attributable to equity shareholders arises from continuing operations.

The accompanying notes on pages 56 to 101 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	As at 31 December 2015 USD'000	As at 31 December 2014 USD'000
Assets			
Non-current assets			
Intangible assets	13	**15,343**	12,170
Investment properties	14	**33,440**	13,506
Property, plant and equipment	15	**343,335**	272,739
Cash and bank balances	16	**176**	–
Other receivables	17	**4,812**	–
		397,106	298,415
Current assets			
Cash and bank balances	16	**9,365**	6,734
Trade and other receivables	17	**13,814**	4,972
Receivables due from related parties	18	**708**	3,992
Inventories		**172**	132
		24,059	15,830
Total assets		**421,165**	314,245
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	19	**19,912**	8,340
Payables due to related parties	18	**529**	625
Borrowings	20	**19,716**	15,646
		40,157	24,611
Net current liabilities		**(16,098)**	(8,781)
Non-current liabilities			
Borrowings	20	**173,860**	94,255
Provision for end of service benefits	21	**802**	620
Deferred tax liabilities	22	**10,457**	8,770
		185,119	103,645
Total liabilities		**225,276**	128,256
Net assets		**195,889**	185,989
Equity			
Share capital	23	**24,102**	24,102
Share premium	23	**124,479**	124,479
Revaluation reserve		**73,946**	71,389
Merger and other reserves	24	**(10,293)**	(4,492)
Accumulated loss		**(32,895)**	(29,489)
Net equity attributable to owners of Action Hotels plc		**179,339**	185,989
Non- controlling Interests		**16,550**	–
Total equity		**195,889**	185,989

The accompanying notes on pages 56 to 101 are an integral part of these consolidated financial statements. The consolidated financial statements were approved by the Board of Directors and authorised for issue on 18 April 2016. They were signed on its behalf by:

Alain Debare, Chief Executive Officer

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Attributable to owners of Action Hotels plc							
	Share capital USD'000	Share premium USD'000	Revaluation reserve USD'000	Other reserves USD'000	Accumulated loss USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
At 1 January 2014	**24,102**	**124,479**	**49,672**	**1,122**	**(28,866)**	**170,509**	**–**	**170,509**
Profit for the year	–	–			1,894	1,894	–	1,894
Other comprehensive income	–	–	21,717	(5,614)	–	16,103	–	16,103
Total comprehensive income for the year	–	–	21,717	(5,614)	1,894	17,997	–	17,997
Transactions with owners:								
Dividends (note 26)	–	–	–	–	(2,517)	(2,517)	–	(2,517)
At 31 December 2014	**24,102**	**124,479**	**71,389**	**(4,492)**	**(29,489)**	**185,989**	**–**	**185,989**
Profit for the year	–	–			1,452	1,456	1,367	2,819
Other comprehensive income	–	–	2,649	(5,811)	–	(3,162)	614	(2,548)
Total comprehensive income for the year	–	–	2,649	(5,811)	1,452	(1,706)	1,981	271
Transactions with owners:								
Transfer of reserves	–	–	(92)	6	86	–	–	–
Share based payments				4				4
Contribution during the year	–	–	–	–	–	–	14,569	14,569
Dividends (note 26)	–	–	–	–	(4,944)	(4,944)	–	(4,944)
At 31 December 2015	**24,102**	**124,479**	**73,946**	**(10,293)**	**(32,895)**	**179,339**	**16,550**	**195,889**

The accompanying notes on pages 56 to 101 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 USD'000	Year ended 31 December 2014 USD'000
Cash flows from operating activities:			
Net profit for the year		**2,819**	1,894
Adjustments for:			
Finance costs	10	**6,007**	4,438
Finance income	9	**(218)**	(585)
Tax charge	11	**173**	332
Provision for impairment of trade receivables	17	**39**	
Depreciation of property, plant and equipment	15	**5,626**	3,927
Amortisation of intangible assets	13	**509**	539
Provision for end of service benefits	21	**497**	210
Revaluation of investment property	14	**(3,358)**	(1,490)
Restructuring & listing costs	8	**–**	187
Operating cash flows before payments of employees' end of service benefits and changes in working capital:		**12,094**	9,452
Payment of employees end of service benefits	21	**(301)**	(67)
(Decrease)/increase in receivables		**(14,856)**	1,477
Increase in receivables due from related parties		**2,739**	9,550
Decrease in inventories		**(43)**	(26)
Increase/(decrease) in payables		**10,804**	(7,715)
Increase in payables due to related parties		**332**	534
Cash generated from operation		**10,769**	13,205
Tax paid		**(40)**	(118)
Net cash generated from operating activities		**10,729**	13,087
Cash flow from investing activities			
Interest received		**218**	15
Purchase of investment property		**(17,052)**	(12,405)
Movements in deposit with original maturity of more than three months		**(436)**	–
Capital expenditure from restricted cash		**1,237**	–
Transfers to restricted cash		**(1,272)**	(1,185)
Amount paid for acquisition of subsidiary		**(8,261)**	–
Purchases of property, plant and equipment		**(74,919)**	(33,804)
Net cash used in investing activities		**(100,485)**	(47,379)

The accompanying notes on pages 56 to 101 are an integral part of these financial consolidated statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 USD'000	Year ended 31 December 2014 USD'000
Cash flow from financing activities			
Repayment of borrowings – Bank loans		**(45,090)**	(13,276)
Drawdown of borrowings – Bank loans		**132,656**	17,840
Contribution from Non-controlling Interest		**15,183**	
Finance costs paid		**(5,920)**	(4,438)
Dividends paid		**(4,944)**	(2,517)
Restructuring and listing costs paid		**–**	(187)
Net cash used in financing activities		**91,885**	(2,578)
Net decrease in cash and cash equivalents		**2,129**	(36,870)
Cash and bank balances at the beginning of the year	16	**4,975**	42,028
Effect of exchange rate changes		**261**	(183)
Unrestricted cash and cash equivalents at end of the year	16	**7,365**	4,975
Restricted cash and cash equivalents		**1,740**	1,759
Total cash and cash equivalents at the end of the year	16	**9,105**	6,734

The accompanying notes on pages 56 to 101 are an integral part of these financial consolidated statements.

Notes to the consolidated financial statements
for the year ended 31 December 2015

1 General information
Action Hotels plc ("the Company") is incorporated in Jersey under the Companies (Jersey) Law 1991. The address of the registered office is 1st Floor, 17 Bond Street, St Helier, Jersey, JE2 3NP, Channel Islands. The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange. The principal activities of the Company and its subsidiaries ("the Group") are owning, developing and operating hotels in the Middle East. The Group's principal administrative subsidiary, Action Hotels Limited, is domiciled in Dubai International Financial Centre, which is its principal place of business.

Action Hotels plc was incorporated in Jersey on 7 May 2013 and took control of the Action Hotels business on 9 December 2013 through a common control transaction with its shareholder. The Company issued 100 million shares to its shareholder in return for 100% of the beneficial interest in and voting control over the issued share capital of Action Hotels Limited. Action Hotels Limited in turn acquired 100% of the issued share capital of Action Hotels Company LLC, a company incorporated in Kuwait, through a share for share exchange.

Action Hotels plc was subsequently admitted to trading on the AIM division of the London Stock Exchange and issued a further 47,637,195 shares on 23 December 2013.

Pursuant to the transaction, Action Hotels Company LLC, which had previously been the parent company of the Group became a subsidiary of Action Hotels plc and the existing shareholder of Action Hotels Company LLC became the shareholder in Action Hotels plc.

2 Summary of significant accounting policies
The principle accounting policies applied in the preparation of these consolidated financial statements are set below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretation Committee interpretations as adopted by the European Union and the Companies (Jersey) law 1991. The consolidated financial statements have been prepared under the historical cost convention, except for the certain classes of property, plant and equipment and investment properties measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Going Concern
The Group has reported accumulated losses of USD 32,895,000 (2014: USD 29,489,000) as at 31 December 2015, and as of that date, the Group's current liabilities exceed its current assets by USD 16,098,000 (2014: USD 8,781,000). Total assets continue to exceed total liabilities by USD 195,889,000 (2014: USD 185,989,000).

Notwithstanding this, the financial statements have been prepared on the going concern basis. The Directors have made this assessment after consideration of the Group's expenditure commitments, current financial projections and expected future cash flows, together with the available cash resources and undrawn committed borrowing facilities.

Further information on the Group's business activities, cash flows, liquidity and performance are set out in the Directors' report and Strategic report and its objectives, policies and processes for managing its capital and financial risks are detailed in note 27.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

2.2 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amount of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

Business combinations involving entities under common control do not fall within the scope of IFRS 3. Consequently, the Directors have a responsibility to determine a suitable accounting policy. The Directors have decided to follow the uniting of interests' method to account for business combinations involving entities under common control.

Under the uniting of interest method, there is no requirement to fair value the assets and liabilities of the acquired entities and hence no goodwill is recorded as balances remain at book value. Consolidated financial statements include the profit or loss and cash flows for the entire year (pre- and post-merger) as if the subsidiary had always been part of the Group. The aim is to show the combination as if it had always been combined.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollars (USD), which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

Foreign exchange gains/(losses) that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income' and 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as available for sale, are included in other comprehensive income.

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position date are translated at the closing rate at the date of the consolidated balance sheet;

(ii) income and expenses for each income statement are translated at average rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2.4 Financial assets

The Group classifies its financial assets as loans and receivables. Currently, the Group does not have any available-for-sale, held-to-maturity and at fair value through profit or loss financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available–for–sale. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise of cash and bank balances, trade and other receivables and receivables due from related parties (Notes 2.11 & 2.10). Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported in the balance sheet when there is a legally enforceable rights to offset the recognised amounts and there is intention to settle on a net basis or realise the assets and settle the liability simultaneously. The legally enforceable rights must not be contingent on future events and must be enforceable on the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counter party.

2.6 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Action Hotels plc's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the value of the non-controlling interest in the acquiree.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Leasehold interest

Intangible assets are initially recognised as the cost of acquiring interests in trading properties held under operating leases. In the event that leasehold interests that attract significant lease premiums are contributed by the shareholder, these are capitalised at their fair value on the date of contribution, being an approximation to 'deemed cost'.

Intangible assets are subsequently recognised at cost less accumulated amortisation, with amortisation charged on a straight-line basis over the remaining lease period.

2.7 Investment properties

Investment properties comprise land held for undetermined use. Land is not depreciated. Investment properties are initially measured at cost, including related transaction costs, and thereafter is stated at fair value at the balance sheet date. Gains and losses arising from the changes in fair value of investment property are recognised in the consolidated income statement.

2.8 Property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Pre-opening costs are expensed as incurred, except where these relate to purchase of other items of property, plant and equipment, which are capitalised.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance costs, is normally charged to the income statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Hotels in operation or under construction are revalued to fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of each property are recognised in the statement of total comprehensive income and the revaluation reserve. Any deficit on revaluation, if temporary, is recognised in the statement of total comprehensive income and the revaluation reserve. If a deficit below original cost arises it is recognised in the income statement.

Undeveloped land sites are stated at cost less impairment losses, unless the land sites are held for undetermined use, in which case they are classified as investment properties.

An annual transfer from asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued amount and depreciation on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve is realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

Depreciation is computed on a straight-line basis over the estimated useful lives of assets.

	Depreciation percentage
Buildings	2%
Fixtures, fittings and equipment	10 – 15%
Motor vehicles	33%

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Each property and undeveloped land site is treated as a separate cash-generating unit.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase in other comprehensive income.

2.10 Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of loss is recognised in the consolidated income statement within general and administrative expenses. When a trade receivable is uncollectable, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement within general and administrative expenses.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

2.11 Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, restricted cash and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.12 Restricted cash
Restricted cash on hand and at bank represents cash held in designated accounts for the replacement of fixtures, fittings and equipment of operating hotels, in line with the contractual terms set out in the respective hotel management agreements.

2.13 Inventories
Inventories are valued at the lower of cost or net realisable value after providing allowances for any obsolete or slow-moving items. Costs are assigned to individual items of inventory on the basis of weighted average costs.

2.14 Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.15 Borrowings and borrowing costs
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. The fee is capitalised and amortised over the period of the facility to which it relates.

2.16 Employee benefits
Provision for employees' end of service benefits for employees of the Group is made in accordance with local labour law. The provision is calculated in accordance with Projected unit method as per IAS 19 'Employee Benefits' taking into consideration the local Labour laws.

The present value of defined benefits obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment and an appropriate discount rate. The assumption used are calculated on a consistent basis for each period and reflects management's best estimate.

The discount rates are set in line with best available estimates of market yields currently available at the reporting date with reference to high quality corporate bonds or other basis, if applicable.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

Provision is also made for the esteemed liability for employees' unused entitlements to annual leave, performance related bonus and air fare as a result of services rendered by eligible employees up to the reporting date. The provision is disclosed as current liability and included in trade payables, while that relating to end of service benefits is disclosed as a non-current liability.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Owned and leased hotels

Revenue is primarily derived from hotel operations, including the rental of rooms, food and beverage sales and other services from owned and leased hotels operated under the Group's brand names. Revenue is recognised when rooms are occupied, food and beverages are sold and services are performed.

Revenue is recognised net of returns, rebates, municipality fees and discounts. Service charges collected from the customers are recorded as revenue, as the Group is the principal/primary obligor and is required to provide the service to the customer in return for the receipt of the service charge.

Customer loyalty programmes

The Group's hotels participate in the Le Club Accor hotels and IHG Rewards customer loyalty programmes to provide customers with incentives to buy room nights. These customer loyalty programmes are owned and operated by Accor/IHG respectively and, therefore, the entity retains no obligations in respect of the award credits other than to pay the programme operator for the granted award credits.

The Group concluded that it is acting as principal in this transaction and, in substance, is earning revenue from supplying these awards to its customer.

The Group measures these revenues at fair value and recognises these gross from the costs of participating in the programme.

Interest income

Interest income is recognised on a time-apportionment basis using the effective interest method.

Other revenue and expenses

Other revenue and expenses are recognised on the accrual basis.

2.18 Adjusted EBITDA

Adjusted EBITDA has been defined as operating profit before depreciation, amortisation, restructuring and listing costs, gains and losses arising from the disposal of property, plant and equipment, pre-opening costs and other non-recurring expenses-net.

Pre-opening expenses include staff costs and related expenses, administration expenses and marketing expenses incurred as part of the pre-opening and soft opening phase of the hotel. The soft opening phase can last for a period of up to 6 months depending on the size of the hotel and agreed opening strategy. Following this, expenses are included within normal operating expenses.

2.19 Operating profit

Operating profit is stated before finance income, finance costs and tax charges.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

2.20 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the company and subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of asset and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable and sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.21 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value is determined at the grant date of the equity-settled share-based payments and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each statement of position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

2.22 Provisions
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

2.23 Leases
Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased asset are consumed.

Where a lease includes terms such that the Group has the option to extend the lease, the lease term is determined as the shortest period up to where management are reasonably certain the options will be exercised.

2.24 Contingent liabilities
Contingent liabilities are not recognised but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.25 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.26 Earnings per share
Basic earnings per share amounts are calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

2.27 Dividend distribution
Dividend distributions to the company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

2.28 Restructuring and listing costs

Restructuring and listing costs are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that relate to the costs incurred in connection with the Group's restructuring as part of the process surrounding the public offering and its admission on the AIM division of the London Stock Exchange both before and after the admission date. They have been shown separately within adjusted EBITDA (note 2.19) due to the significance of their nature or amount.

2.29 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and accessing performance of the operating segments, has been identified as the Board of Directors that make strategic decisions.

2.30 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand dollars unless otherwise stated.

2.31 New standards and amendments

(a) New and amended standards adopted by the Group

IFRS 2 (amendments), 'Share-based Payment' clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. The Group has adopted this amendment and it has no impact on the Group.

IFRS 3 (amendments), 'Business combinations' clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. It also clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement. The Group has adopted this amendment and it has no impact on the Group.

IFRS 8 (amendments), 'Operating segments' requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. The Group has adopted this amendment and it has no impact on the Group.

IFRS 13 (amendments), 'Fair value measurement' confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. It also clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9. The Group has adopted this amendment and it has no impact on the Group.

IAS 16 (amendments), 'Property, plant and equipment' and IAS 38, 'Intangible assets' clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts. The Group has adopted this amendment and it has no impact on the Group.

IAS 19 (amendments), 'Employee benefits' regarding employee or third party contributions to defined benefit plans. The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The Group has adopted this amendment and it has no impact on the Group.

IAS 40 (amendments), Investment Property clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination. The Group has adopted this amendment and it has no impact on the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

(b) New and amended standards and interpretations mandatory for the first time for this financial year beginning 1 January 2015 but not currently relevant to the Group

IAS 24 (amendments), 'Related Party Disclosures' clarifies that a management entity is a related party subject to the related party disclosures and is required to disclose the expenses incurred for management services. This amendment is currently not applicable to the Group, as the Group does not receive any management services from other entities.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted

IFRS 5 (amendments), 'Non-current Assets Held for Sale and Discontinued Operations' regarding assets (or disposal groups) disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IFRS 7 (amendments), 'Financial Instruments: Disclosures' regarding servicing contracts. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The amendment also clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture, addresses an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IFRS 11 (amendments), 'Joint arrangements' regarding acquisition of an interest in a joint operation, provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

Notes to the consolidated financial statements
for the year ended 31 December 2015

2 Summary of significant accounting policies *continued*

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases', replaces IAS 17 'Leases'. Under the new requirements, lessees would be required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet. The effective date is 1 January 2019. The standard has not yet been endorsed by the EU. The Group is assessing the impact of IFRS 16.

IAS 1 (amendments), 'Presentation of Financial Statements' Disclosure Initiative clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: the materiality requirements in IAS 1; that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated; that entities have flexibility as to the order in which they present the notes to financial statements; and that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation, clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IAS 27 (amendments), 'Separate financial statements' regarding the equity method, allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IAS 19 (amendments), 'Employee Benefits' regarding the additional disclosures relating to the offsetting of financial assets and financial liabilities clarifies that these only need to be included in interim reports if required by IAS 34. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

IAS 34 (amendments), 'Interim Financial Reporting' 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. The Group intends to adopt these amendments no later than the accounting period beginning on or after 1 January 2016.

3 Critical judgements and accounting estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Judgements

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2015

3 Critical judgements and accounting estimates *continued*

(i) Control over voting shares not owned and assets held under trust

The determination of the Company's ability to exercise control over Action Hotels Limited, whose voting shares are not owned by the Company, and the Australian operations which are held under trust structures, requires judgement as the Group's control is reliant on options to purchase the relevant shares and powers of attorney in relation to the shares and voting rights. The Directors have concluded that control is exercised based on agreements and have therefore consolidated the results of Action Hotels Limited and the Australian operations. Refer note 18 for further details of these agreements.

(ii) Recognition of appropriate lease accounting treatments

The determination of whether any of the Group's leases constitute a finance lease under IAS 17 requires judgement. The Directors' have concluded that none of the Group's leases should be recognised as a finance lease. Accordingly, all leases are presented as operating leases.

(iii) Determination of foreign ownership in certain jurisdictions

In certain of the jurisdictions that the Group operates in, foreign ownership of its assets or business is either prohibited or could result in additional tax liabilities. Management is confident that the corporate structure put in place as part of the Company's admission to the AIM division of the London Stock Exchange mitigates the risks posed in this respect. Management has therefore concluded that no material tax or legal exposure exists in these jurisdictions Should the Group's business in these jurisdictions become subject to tax under the current structure, Management estimates that USD 151,000 of income tax would potentially be assessed on the Group for the year ended 31 December 2015.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Fair value of hotels in operation, hotels under construction and investment properties

The Group carries its hotels in operation, hotels under construction and investment properties at fair value. Changes are recognised in the statement of comprehensive income for hotels in operation and under construction and in the income statement for investment properties. The Group engaged independent valuation specialists to assist the management to determine the fair value as at the reporting date.

There is a lack of comparable transaction data because of the nature and location of the properties. The valuers used a valuation technique based on a discounted cash flow model. The determined fair value of the completed properties is highly sensitive to the estimated discount rate as well as the long-term projected future hotel occupancy and room rates. These in turn are dependent on key operating assumptions. The key assumption used in this valuation are set out in Note 28.

For hotels under construction, there is some judgement as to whether the fair value can be reliably measured by an independent valuer due to the sensitivity over the estimated costs to complete as well as an adjustment for a hypothetical 'developer's profit' based on the level of development risk remaining in the project. Where the fair value is not considered to be reliably measurable by an independent valuer, hotels under construction are measured at cost until the fair value becomes reliably measurable or construction is completed, whichever is earlier.

(ii) Impairment of undeveloped land sites

Undeveloped land sites are held at cost less impairment provisions. Impairment reviews have been performed based on an assessment of the present values of future cash flows from developing and operating hotels. The estimated future cash flows and discount rates are subject to inherent uncertainty and are in some cases reliant on the envisaged planning permission being granted.

(iii) Depreciation of property, plant and equipment

Hotel properties are depreciated over their estimated useful economic lives. Land is assumed to have an infinite life and buildings are estimated to have useful economic lives of 50 years, with no residual values. The allocation of revaluation changes to land or buildings affects the depreciation charge and the Group generally attributes the valuation changes on a prorated basis to land and buildings.

Notes to the consolidated financial statements
for the year ended 31 December 2015

3 Critical judgements and accounting estimates *continued*

(iv) Provision for deferred tax

Deferred tax arises on the timing differences between the carrying value of the Group's hotel properties and their tax bases. In some jurisdictions the timing differences related to land are not taxable. The Group generally attributes the valuation changes on a prorated basis to land and buildings.

4 Revenue

	2015 USD'000	2014 USD'000
Rooms	**35,116**	30,164
Food and beverage	**6,982**	6,195
Others	**1,363**	1,213
	43,461	37,572

The Group's revenue arises from hotel operations, including the rental of rooms, food and beverage sales and other services from owned and leased hotels. The geographical split of revenue is disclosed in note 6.

5 Operating profit and adjusted EBITDA

	2015 USD'000	2014 USD'000
Operating profit for the period is stated after charging/(crediting):		
Depreciation of property, plant and equipment (Note 15)	**5,626**	3,927
Amortisation of intangible assets (Note 13)	**509**	539
Restructuring and listing costs (Note 8)	**–**	187
Pre-opening expenses	**1,099**	530
Share-based payments (Note 25)	**76**	–
Operating lease rentals	**2,597**	2,762
Unrealised gain on investment properties (Note 14)	**(3,358)**	(1,448)
Employee costs (Note 7)	**4,736**	6,142

The adjusted EBITDA for the year is derived as follows:

	2015 USD'000	2014 USD'000
Operating profit	**8,781**	6,079
Depreciation of property, plant and equipment	**5,626**	3,927
Amortisation of intangible assets	**509**	539
Restructuring and listing costs	**–**	187
Pre-opening expenses	**1,099**	530
Other Income	**6**	–
Adjusted EBITDA	**16,021**	11,262

Notes to the consolidated financial statements
for the year ended 31 December 2015

5 Operating profit and adjusted EBITDA *continued*

Pre-opening expenses include staff costs and related expenses, administration expenses and marketing expenses incurred as part of the pre-opening and soft opening phase of the hotel. The soft opening phase can last for a period of up to 6 months depending on the size of the hotel and agreed opening strategy. Following this, expenses are included within normal operating expenses.

6 Segment information

The Board of Directors of the Group is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance of the Group.

The Group is organised within two geographical regions, Middle East and Australia excluding central functions. These geographical regions along with hotels under construction and undeveloped land sites comprise the Group's four reportable segments. No operating segments have been aggregated to form these reportable segments.

Central management costs represent the head office and management costs incurred at the Group level, which have not been subsequently allocated to any particular operating segment. Each of the geographical segments derives its revenue from the ownership and management of hotel operations.

The Board of Directors use a measure of adjusted EBITDA to assess performance.

(a) Segmental revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

2015	Middle East USD'000	Australia USD'000	Total USD'000
Revenue	37,138	6,323	43,461
Adjusted EBITDA – hotel operations	14,695	2,277	16,972
Central management and other costs			(8,191)
Operating profit			8,781
Finance income			218
Finance costs			(6,007)
Profit before tax			**2,992**

2014	Middle East USD'000	Australia USD'000	Total USD'000
Revenue	30,626	6,946	37,572
Adjusted EBITDA – hotel operations	11,217	2,408	13,625
Central management and other costs			(7,546)
Operating profit			6,079
Finance income			585
Finance costs			(4,438)
Profit before tax			**2,226**

The revenue of each segment for each period arises wholly from external sales.

Notes to the consolidated financial statements
for the year ended 31 December 2015

6 Segment information *continued*

Adjusted EBITDA for hotel operations represent the profit earned by each segment without allocation of central administration costs including Directors' salaries, pre-opening costs, investment revenue and finance costs, and tax.

(b) Segmental assets

	2015 USD'000	2014 USD'000
Middle East hotel operations	**234,268**	226,628
Australia hotel operations	**111,289**	32,985
Hotels under construction	**26,229**	46,422
Undeveloped land sites	**33,045**	3,932
Not allocated	**16,334**	4,278
	421,165	314,245

For the purposes of monitoring segment performance and allocating resources between segments, the Group's management monitor the tangible, intangible and financial assets attributable to each segment. Assets classed as not allocated represent the current assets attributable to the central management function of the business and mainly relate to head office cash balances and certain balances with related parties.

Other segmental information

	2015 USD'000	2014 USD'000
Additions and contributions to property, plant and equipment		
Middle East hotel operations	**9,522**	5,402
Australia hotel operations	**49,249**	–
Hotels under construction	**19,117**	29,330
	77,888	34,732

(c) Geographical information – Revenue

The country of domicile for the Group's head office is United Arab Emirates (UAE); the table below shows the revenue from external customers split between those attributed to the country of domicile and all other foreign countries.

	2015 USD'000	2014 USD'000
UAE	**536**	–
Kuwait	**13,980**	13,513
Oman	**13,991**	12,786
Bahrain	**4,798**	–
Jordan	**3,833**	4,326
Australia	**6,323**	6,947
	43,461	37,572

Notes to the consolidated financial statements
for the year ended 31 December 2015

6 Segment information *continued*

(d) Geographical information – Non-current assets

The country of domicile for the Group's head office is United Arab Emirates (UAE); the table below shows the non-current asset split between those attributed to the country of domicile and all foreign countries.

	2015 USD'000	2014 USD'000
UAE	**63,119**	22,470
Kuwait	**58,965**	60,279
Oman	**93,436**	88,227
Bahrain	**53,228**	49,846
Jordan	**19,424**	21,888
Australia	**108,934**	55,705
	397,106	298,415

7 Employees and Directors

The total number of employees, including Directors:

	2015 Number	2014 Number
Head office	**14**	13
Hotels	**460**	318
	474	331

The aggregate remuneration of the above employees, including Directors comprised:

	2015 USD'000	2014 USD'000
Wages and salaries	**2,888**	4,283
Other benefits	**1,848**	1,859
Share based payment charge (note 25)	**76**	–
	4,812	6,142

Other benefits include the charge for provision for end of service benefit amounting to USD 497,000 (2014: USD 210,000) (note 21). During the year Group capitalised salary of USD 625,000.

8 Restructuring and listing costs

The Group classified costs in connection with its restricting in the period up to and shortly following the public offering and its admission to trading on the AIM division of the London Stock Exchange separately. The costs expensed in the consolidated income statement amounted to USD nil (2014: USD 187,000).

Notes to the consolidated financial statements
for the year ended 31 December 2015

9 Finance income

	2015 USD'000	2014 USD'000
Interest from bank deposits	**11**	15
Interest on loan given to related parties	**207**	223
Net foreign exchange gains on financing activities	**–**	347
	218	585

10 Finance costs

	2015 USD'000	2014 USD'000
Interest on bank borrowings	**5,556**	4,411
Net foreign exchange losses on financing activities	**87**	–
Loan financing costs	**364**	27
	6,007	4,438

In addition to the finance costs recognised in the consolidated statement of income, the following finance costs have been capitalised within assets in the course of construction by the Group:

	2015 USD'000	2014 USD'000
Interest on borrowings	**3,012**	1,412

11 Income tax expense

	2015 USD'000	2014 USD'000
Current tax expense	**(151)**	(159)
Deferred tax expense (note 22)	**(22)**	(173)
	(173)	(332)

The Group's head office is domiciled in the Dubai International Financial Centre (DIFC). The Group's effective tax rate in the country of domicile is 0% (2014: 0%). The Group's tax liabilities arise in other jurisdictions in which it operates.

In addition to the amounts charged to the statement of income, the following amounts relating to tax have been recognised in other comprehensive income:

	2015 USD'000	2014 USD'000
Deferred Tax		
Items that will not be reclassified subsequently to profit or loss:		
Gains on property revaluation (note 22)	**(2,295)**	54
Tax expense recognised in other comprehensive income	**(2,295)**	54

Notes to the consolidated financial statements
for the year ended 31 December 2015

12 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit for the year (USD'000)	**2,819**	1,894
Weighted average number of shares	**147,637,195**	147,637,195
Basic earnings per share (USD)	**0.019**	0.013

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares, share options and share warrants.

	2015	2014
Profit for the year (USD'000)	**2,819**	1,894
Weighted average number of shares used for calculating basic earnings	**147,637,195**	147,637,195
Dilution impact of share options and share warrants	**–**	–
Weighted average number of shares for calculating diluted earnings per share	**147,637,195**	150,903,109
Diluted earnings per share (USD)	**0.019**	0.013

(c) Profit for the year arose wholly from continuing operations.

The 5,179,116 options (2014: 5,179,116 options) are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2014 and 2015. These options could potentially dilute basic earnings per share in future.

The 3,690,930 warrants (2014: 3,690,930 warrants) are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2014 and 2015. These options could potentially dilute basic earnings per share in future.

Notes to the consolidated financial statements
for the year ended 31 December 2015

13 Intangible assets

	Leasehold interest USD'000	Goodwill USD'000	Total USD'000
Cost:			
At 1 January 2014	13,606	–	13,606
Exchange differences	(520)	–	(520)
At 31 December 2014	**13,086**	**–**	**13,086**
Acquired through business combination	–	4,221	4,585
Exchange differences	(457)	(118)	(939)
At 31 December 2015	**12,629**	**4,103**	**16,732**
Accumulated amortisation and impairment:			
At 1 January 2014	408	–	408
Amortisation charge	539	–	539
Exchange differences	(31)	—	(31)
At 31 December 2014	**916**	**–**	**916**
Amortisation charge	509	–	509
Exchange differences	(36)	–	(36)
At 31 December 2015	**1,389**	**–**	**1,389**
Net book value:			
At 31 December 2015	**11,240**	**4,103**	**15,343**
At 31 December 2014	**12,170**	**–**	**12,170**

On 1 April 2013, the trade and assets of the ibis Salmiya hotel were transferred from a related party by means of a capital contribution. The results of the hotel operations have been included in each period using the principles of merger accounting as the business was under common control.

In parallel to this, an operating lease arrangement, including the related lease premium, was contributed in kind as a non-cash asset from the shareholder.

At the date of contribution, an independent valuer has determined the fair value (being the 'deemed cost') of the lease premium to be USD 13,525,000.

This contribution from the shareholder is recognised as an intangible asset, and subsequently measured at cost less amortisation over 25 years, representing the term of the lease, since the Group plans to exercise its option to extend the initial lease of 5 years by a further 20 years.

On 9 October 2015, the Group acquired the business assets of a hotel located at Melbourne Airport, Australia. The hotel is currently managed by Accor under the ibis Budget hotel brand.

Notes to the consolidated financial statements
for the year ended 31 December 2015

13 Intangible assets *continued*

The following table summarises the consideration paid for the acquisition of the hotel, the fair value of assets acquired, liabilities assumed and the goodwill at the acquisition date.

	2015 USD'000
Purchase consideration	**8,261**
Less: value of identifiable assets and liabilities	
Building	**3,313**
Plant & Equipment	**727**
Advanced Customer Deposits	**54**
Unearned Income	**(54)**
Goodwill	**4,221**

The fair value of the Building and Plant & Equipment was based on an external valuation performed on the date of acquisition.

The Group performs goodwill impairment testing on an annual basis and at the reporting date if there are indicators of impairment. The most recent test was undertaken at 31 December 2015. Action Hotels plc's annual impairment review resulted in no impairment charge for 2015.The recoverable amount has been assessed by reference to fair value less cost to dispose (FVLCD), in line with the Group policy and classified as level 3 under the fair value hierarchy. FVLCD was determined by estimating cash flows until the end of the life of hotel property.

The key assumptions to which the calculation of FVLCD for the Group is most sensitive and the corresponding increase/decrease in FVLCD are set out below:

	Increase USD'000	Decrease USD'000
5% change in ADR	534	(534)
1% change in discount rate	(178)	178
5% change in occupancy rate	593	(593)

	At 31 December 2015
Discount rate: owned asset	12.05%
Exit yield	10.5%
Average daily rate (ADR)	AUD 103.50–126.5
Occupancy rate	77.5%–95.0%

Notes to the consolidated financial statements
for the year ended 31 December 2015

14 Investment properties

	2015 USD'000	2014 USD'000
At 1 January	**13,506**	–
Addition in the year	**17,049**	12,058
Net gain from fair valuation	**3,358**	1,490
Exchange differences	**(473)**	(42)
At 31 December	**33,440**	13,506

Investment properties comprise land held for undetermined use. Land is not depreciated. Investment properties are carried at fair value as determined by an independent valuer.

The residual price technique has been used by the independent professionally qualified valuer, which is explained as follows:

Residual price technique represents determination of the estimated selling price of a project development of the plot of land, reduced by the estimated construction and other cost to completion that would be incurred by a market participant and an estimated profit margin that a market participant would require to hold and develop the plots to completion. The valuation method adopted was based on inputs that are not based on observable market data (that is, unobservable inputs – level 3).

Notes to the consolidated financial statements
for the year ended 31 December 2015

15 Property, plant and equipment

	Operational Hotels							
	Land USD'000	Buildings USD'000	Fixtures, Fittings & Equipment USD'000	Hotels under construction USD'000	Undeveloped land USD'000	Other FF&E USD'000	Vehicles USD'000	Total USD'000
Cost or fair value:								
At 1 January 2014	**86,712**	**77,391**	**22,306**	**33,569**	**21,505**	**122**	**39**	**241,644**
Additions	–	211	3,620	29,330	–	1,542	29	34,732
Revaluation surplus	2,145	12,599	–	7,027	–	–	–	21,771
Transfers	1,588	34,729	3,672	(23,004)	(16,985)	–	–	–
Exchange differences	(2,866)	(3,362)	(626)	(500)	(588)	–	–	(7,942)
At 31 December 2014	**87,579**	**121,568**	**28,972**	**46,422**	**3,932**	**1,664**	**68**	**290,205**
Additions	106	42,222	12,363	19,117	–	1,075	36	74,919
Acquisition	–	3,313	727	–	–	–	–	4,040
Revaluation surplus	(19)	4,350	–	1,227	–	–	–	5,558
Transfers	19,740	26,718	(171)	(42,170)	(4,148)	–	31	–
Exchange differences	(4,290)	(3,141)	(1,748)	(831)	216	589	86	(9,119)
At 31 December 2015	**103,116**	**195,030**	**40,143**	**23,765**	**–**	**3,328**	**221**	**365,603**
Accumulated depreciation:								
At 1 January 2014	–	4,545	9,566	–	–	47	5	14,163
Charge for the year	–	1,583	2,296	–	–	35	13	3,927
Exchange differences	–	(220)	(404)	–	–	–	–	(624)
At 31 December 2014	**–**	**5,908**	**11,458**	**–**	**–**	**82**	**18**	**17,466**
Charge for the year	–	2,552	2,699	–	–	316	59	5,626
Exchange differences	–	(496)	(890)	–	–	553	9	(824)
At 31 December 2015	**–**	**7,964**	**13,267**	**–**	**–**	**951**	**86**	**22,268**
Net book amount:								
At 31 December 2015	**103,116**	**187,066**	**26,876**	**23,765**	**–**	**2,377**	**135**	**343,335**
At 31 December 2014	87,579	115,660	17,514	46,422	3,932	1,582	50	272,739

Hotels in operation and under construction are carried at fair value as determined by an independent valuer. The capitalisation method has been used by the independent professionally qualified valuers, which is explained as follows.

The capitalisation method represents a method of determining the value of the asset by calculating the net present value of expected future earnings. The valuation method adopted is based on inputs not based on observable data (that is, unobservable inputs – level 3).

At 31 December 2015, had the land and buildings of the Group been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been USD 270,833,000 (2014: USD 188,219,000). The revaluation surplus is disclosed in the consolidated statement of changes in equity. The revaluation surplus cannot be distributed due to legal restrictions.

Notes to the consolidated financial statements
for the year ended 31 December 2015

15 Property, plant and equipment *continued*

During the year the construction of Elizabeth Street Brisbane and Premier Inn Sharjah have been completed and the carrying value of the assets of USD 46,318,000 has been transferred from assets under construction into property, plant and equipment of operational hotels.

Undeveloped land with a carrying value of USD 4,148,000 relating to IBIS Sohar has been transferred to assets in the course of construction. Total assets in the course of construction as at 31 December 2015 for this hotel amounted to USD 9,976,000. The remaining assets in the course of construction related to Tulip Inn Ras Al Khaimah USD 13,613,000.

The land, buildings and fixtures and fittings of operational hotels and hotels under construction with a carrying amount of USD 325,477,000 (2014: USD 267,175,000) have been pledged to secure borrowings of the Group (note 20). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

16 Cash and cash equivalents

	2015 USD'000	2014 USD'000
Unrestricted		
Cash on hand and at bank	**7,625**	4,975
Term deposits- non-current	**176**	–
Total unrestricted cash on hand and at bank (A)	**7,801**	4,975
Restricted		
Cash on hand and at bank	**1,482**	1,759
Term deposits- current	**258**	–
Total restricted cash on hand and at bank (B)	**1,740**	1,759
Cash and cash equivalents (A+B)	**9,541**	6,734
Less: Term deposits with maturity of more than three months	**436**	–
Cash and cash equivalents for the purpose of cash flow statement	**9,105**	6,734

Restricted cash on hand and at bank represents cash held in designated accounts for the replacement of fixtures, fittings and equipment of operating hotels in line with the contractual terms set out in the respective hotel's management agreements.

Notes to the consolidated financial statements
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16 Cash and cash equivalents *continued*

	2015 USD'000	2014 USD'000
Unrestricted		
Aa2	**1,320**	539
Aa3	**1,953**	911
A2	**208**	335
A3	**1,520**	826
Baa1	**2,682**	538
Baa3	**36**	1,998
Unrestricted cash at bank (A)	**7,719**	5,147
Restricted		
Aa2	**114**	
Aa3	**516**	665
A2	**340**	271
A3	**770**	578
Restricted cash at bank (B)	**1,740**	1,514
Cash on hand (C)	**82**	73
Total restricted cash on hand and at bank (A+B+C)	**9,541**	6,734

17 Trade and other receivables

	2015 USD'000	2014 USD'000
Trade receivables	**2,375**	2,586
Less: provision for impairment of trade receivables	**(55)**	(16)
Trade receivables – net	**2,320**	2,570
Other receivables	**9,641**	1,922
Advance payments to suppliers	**6,665**	480
	18,626	4,972
Less: Other receivables – non-current portion	**4,812**	–
	13,814	4,972

The fair value of trade and other receivables approximate to their carrying values as at 31 December 2015 and 2014.

As of 31 December 2015, trade receivables of USD 1,282,000 (2014: USD 1,224,000) were fully performing.

Notes to the consolidated financial statements
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17 Trade and other receivables *continued*

As of 31 December 2015, trade receivables of USD 1,093,000 (2014: USD 1,362,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2015 USD'000	2014 USD'000
Up to 3 months	**842**	1,000
3 to 6 months	**251**	362
	1,093	1,362

There has been increase of USD 39,000 in the provision for impairment of trade receivables (2014: none) and no trade debtors have been impaired during the year (2014: none).

The other classes within accounts receivable and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of debit balances mentioned above. The Group does not hold any collateral as security for accounts receivable and other debit balances.

18 Related party balances and transactions

The Group has entered into various transactions with related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. All significant related party transactions and balances are listed below and are principally with entities under control of the Group's principal shareholder, Action Group Holding Co. KSCC:

	2015 USD'000	2014 USD'000
Due from related parties	**708**	3,992
Due to related parties	**(529)**	(625)
	179	3,367

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for the year ended 31 December 2015

18 Related party balances and transactions *continued*

Due from related parties

Name of related parties	Relationship	2015 USD'000	2014 USD'000
Action Real Estate Co. Dubai	Shareholder	**42**	–
Bronzia Company (Oman)	Others	**–**	870
Action Group Holding Company K.S.C.C	Shareholder	**–**	2,192
Action Realty Australia Pty Ltd	Others	**418**	448
74-80 Fitzgerald Road Australia Pty Ltd	Others	**–**	187
Waterfront Project Australia Pty Ltd	Others	**–**	189
Action Business Center Ltd	Others	**158**	–
Jarabury Australia Pty Ltd	Others	**–**	41
Mintabury Australia Pty Ltd	Others	**–**	40
Sheikh Mubarak Abdullah Al-Mubarak Al-Sabah	Shareholder	**7**	–
Sheikha Alia	Shareholder	**83**	–
Other	Others	**–**	25
		708	3,992

Interest is charged on amounts due from related parties in Australia at a rate of 6%. The total interest charge of USD 206,000 (2014: USD 223,000) is included within note 9.

Due to related parties

Name of related parties	Relationship	2015 USD'000	2014 USD'000
Action Group Holding Company K.S.C.C	Shareholder	**326**	–
Action Real Estate Co. K.S.C.C.	Others	**178**	288
Action Group Australia	Others	**–**	259
Action Group Holding Company (Oman)	Others	**25**	78
		529	625

Expenditure incurred on services provided by related parties:

	Relationship	2015 USD'000	2014 USD'000
Action Group Holding Company K.S.C.C	Shareholder	**98**	100
Action Real Estate Co. K.S.C.C.	Others	**2,824**	–
Action Group Australia Company	Others	**–**	54
Action Reality Australia Company	Others	**68**	–
Lausanne for Travel and Tourism – W.L.L.	Others	**–**	203
		2,990	357

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18 Related party balances and transactions *continued*

Due to related parties

Expenditure incurred by related parties on behalf of the Group and subsequently recharged:

	Relationship	2015 USD'000	2014 USD'000
Action Group Holding Company (Oman)	Others	**18**	–
Action Group Holding Company K.S.C.C	Shareholder	**78**	66
Action Real Estate Co. K.S.C.C.	Others	**67**	87
		163	153

Expenditure incurred by the Group on behalf of the related parties and subsequently recharged:

	Relationship	2015 USD'000	2014 USD'000
Action Group Holding Company (Oman)	Others	**19**	–
Action Real Estate Co. K.S.C.C.	Others	**32**	–
		51	–

Related party guarantees

Further, one of the shareholders of the Group and the ultimate owner of the shareholder have provided performance guarantees on behalf of the Group for certain borrowings. These guarantees, issued in the normal course of business, are outstanding at the year end and no outflow of resources embodying economic benefits in relation to these guarantees is expected by the Group.

Related party interest

Related party interest income and expense are set out in notes 9 and 10 respectively.

Bronzia contract

USD 870,000 due from Bronzia Company (Oman) in 2014 represents the outstanding balance of the net refund receivable from Bronzia Company (Oman) arising from a reduction by OMR 1,600,000 (USD 4,400,000) in the construction contract value. The construction contract initially valued at OMR 4,600,000 (USD: 12,100,000) was entered into with Bronzia Company (Oman) prior to 30 June 2013 for the construction of Holiday Inn Muscat. The construction was completed in December 2013.

Notes to the consolidated financial statements
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18 Related party balances and transactions *continued*

Transactions and agreements with related parties

The Group does not have ownership of the A shares of Action Hotels Limited, its principal subsidiary, which carry the voting rights and are held by Action Group Holding Company K.S.C.C, the principal shareholder. The Group therefore entered into the following agreements with Action Group Holding Company K.S.C.C. to safeguard its control over the subsidiary:

(a) a relationship agreement dated 17 December 2013 between the Company and Action Group Holding Company K.S.C.C. (the "Relationship Agreement") pursuant to which Action Group Holding Company K.S.C.C. has agreed that:

- (i) the Group will be able to operate independently of Action Group Holding Company K.S.C.C. and its Associates (as defined in the Relationship Agreement). This will include a majority of the Board being independent of Action Group Holding Company K.S.C.C. at all times. For clarity, for these purposes, the concept of independence can include the executive Directors. The agreement further provides that any transactions or arrangements to be entered into between Action Group Holding Company K.S.C.C. (or its Associates) and the Group will require the approval of the Directors who are independent of Action Group Holding Company K.S.C.C.;
- (ii) it will not (and will procure so far as it is able that its Associates will not) compete with the business of the Group (being budget/mid-market hotels worldwide);
- (iii) the Group will have a 'right of first refusal' on any real estate assets held by it and which may be made available for hotels;
- (iv) it will transfer any property, rights, assets or services held by it (or its Associates) and intended for use or required to be used by the Group to the Group;
- (v) it will cooperate with the Company in the event that a restructuring is required to comply with local laws; and
- (vi) the agreement will terminate if Action Group Holding Company K.S.C.C.'s (and its Associates) holding in the Company drops to below 30%.

(b) a call option agreement between the Company and Action Group Holding Company K.S.C.C. dated 9 December 2013 pursuant to the terms of which Action Group Holding Company K.S.C.C. has granted the Company an option to acquire the A ordinary shares in the capital of Action Hotels Limited for a nominal amount. The call option is not valid for this consolidated financial statements.

(c) a management agreement dated 16 December 2013 between the Company, Action Hotels Limited and Action Group Holding Company K.S.C.C. pursuant to the terms of which the Company exercises management control of Action Hotels Limited. The management agreement provides that:

- (i) the Company has the sole right to manage Action Hotels Limited, and all operational decision-making power is vested exclusively with the Company;
- (ii) the Company has the sole right to appoint and replace the Directors of Action Hotels Limited;
- (iii) the Company has the right to receive 100% of all distributions that are declared by Action Hotels Limited including on a liquidation; and
- (iv) Action Group Holding Company K.S.C.C. shall not encumber (which includes creating any mortgage, charge, right to acquire or right of pre-emption) the A ordinary shares in Action Hotels Limited.

(d) the Power of Attorney granted by Action Group Holding Company K.S.C.C. to the Company to exercise the voting rights attached to the A ordinary shares in Action Hotels Limited.

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18 Related party balances and transactions *continued*

Remuneration of Key Management Personnel

	2015 USD'000	2014 USD'000
Salaries and consultancy fees	**518**	694
Other benefits	**67**	34
Share-based payments (note 25)	**76**	–
	661	728

19 Trade and other payables

	2015 USD'000	2014 USD'000
Trade payables	**5,228**	1,597
Subcontractors payable	**448**	1,758
Retentions payable	**347**	1,053
Accruals	**13,889**	3,932
	19,912	8,340

Trade payables balances are non-interest bearing.The fair value of trade payables and other balances approximate their carrying values as at each statement of financial position date.

20 Borrowings

	2015 USD'000	2014 USD'000
Secured		
Borrowings	**193,576**	109,901
Less: non-current bank loans	**(173,860)**	(94,255)
Current borrowings	**19,716**	15,646

The table below analyses the bank loans into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

	2015 USD'000	2014 USD'000
Due:		
6 months or less	**13,856**	12,176
6 – 12 months	**5,859**	3,470
1 – 2 years	**32,861**	25,269
2 – 5 years	**99,091**	41,168
More than 5 years	**41,909**	27,818
	193,576	109,901

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20 Borrowings *continued*

The annual interest rate on loans is as following:

	2015 USD'000	2014 USD'000
Kuwaiti Dinar with an annual interest rate	**3.5%**	2.0% – 3.5%
Bahraini Dinar with an annual interest rate	**5.0%**	5.0%
Omani Riyal with an annual interest rate	**4.0%**	5.0%
United States Dollar with an annual interest rate	**7.04%**	8.6%
Australian Dollar with an annual interest rate	**4.73%**	5.5%

Bank facilities are secured by Hotel Properties (see note 15), Group's corporate guarantees and letter of undertakings. There is no material variance between the carrying value of loans and their fair value.

The short term bank borrowings in local currency is as follows:

	At 31 December In Local Currency '000		At 31 December In USD '000	
Local Currency	2015	2014	2015	2014
US Dollar (USD)	**10,806**	10,531	**10,806**	10,531
Bahraini Dinar (BHD)	**1,000**	250	**2,653**	663
Kuwait Dinar (KWD)	**250**	264	**824**	901
Australian Dollar (AUD)	**1,700**	–	**1,241**	–
Omani Rial (OMR)	**1,614**	1,367	**4,192**	3,551
			19,716	15,646

The long term bank borrowings in local currency is as follows:

	At 31 December In Local Currency '000		At 31 December In USD '000	
Local Currency	2015	2014	2015	2014
US Dollar (USD)	**18,486**	9,827	**18,486**	9,827
Bahraini Dinar (BHD)	**9,150**	9,513	**24,277**	25,227
Kuwait Dinar (KWD)	**8,750**	3,564	**28,830**	12,168
Australian Dollar (AUD)	**71,816**	20,060	**52,417**	16,362
Omani Rial (OMR)	**19,192**	11,811	**49,850**	30,671
			173,860	94,255

At 31 December 2015, the Group has banking facilities of USD 223,161,000 (2014: USD 171,309,000) with commercial banks. The facilities include short-term and long term loans. Unamortised arrangement fees and other transaction costs amount to USD 1,488,000 (2014: nil).

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21 Provision for end of service benefits

	2015 USD'000	2014 USD'000
At 1 January	**620**	490
Charge for the year (Note 7)	**497**	210
Paid during the year	**(301)**	(67)
Foreign currency translation adjustments	**(14)**	(13)
At 31 December	**802**	620

Management has carried out an exercise to assess the present value of obligation at 31 December 2015 and 2014, using projected unit credit method, in respect of employees' end of service benefits payable under local labour law. Under this method, an assessment has been made of an employee's expected service life with the Company and expected basic salary at the date of leaving the service.

Management has assumed average increment/promotion in the range of 3% to 5% (2014: 3% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using discount rate of 3% to 5% (2014: 3% to 5%).

22 Deferred tax

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during 2015 and 2014.

	Revaluation of hotel properties USD'000	Other timing differences USD'000	Total USD'000
At 1 January 2014	**(9,123)**	**25**	**(9,098)**
Charge to the income statement (Note 11)	–	(173)	(173)
Charge to other comprehensive income (Note 11)	(54)	–	(54)
Exchange differences	558	(3)	555
At 31 December 2014	**(8,619)**	**(151)**	**(8,770)**
Charge to the income statement (Note 11)	–	(22)	(22)
Charge to other comprehensive income (Note 11)	(2,295)		(2,295)
Exchange differences	613	17	630
At 31 December 2015	**(10,301)**	**(156)**	**(10,457)**

In accordance with IAS12, the Group is required to recognise a deferred tax liability in respect of the difference between the carrying value of its assets and liabilities and their tax bases. Where hotel properties have been revalued upwards, there is typically no additional tax base attributable to the increase in value, such that a deferred liability arises. Deferred tax liabilities are expected to be recovered in a period of greater than 12 months.

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23 Share capital and share premium

Share capital	Number of shares	USD'000
At 1 January 2014	147,637,195	24,102
At 31 December 2014	147,637,195	24,102
At 31 December 2015	147,637,195	24,102

Share premium	USD'000
At 1 January 2014	124,479
At 31 December 2014	124,479
At 31 December 2015	124,479

On incorporation the Company had 1,000 £1 ordinary shares, which on 8 November 2013 were split into 10,000 ordinary shares of nominal value of 10p. On 9 December 2013 the Company issued a further 99,990,000 shares and performed a share for share exchange with its shareholder in return for 100% of the beneficial interest in and voting control over the issued share capital of Action Hotels Limited.

On 23 December 2013 the Company issued 47,637,195 new ordinary shares at GBP 0.64 as part of its listing on the AIM division of the London Stock Exchange.

The authorised share capital of the Company is GBP 40 million divided into 400 million shares of 10 pence each. They entitle holders to participate in dividends and to share proceeds of winding up of the company in proportion to the number and of amounts paid on the shares held.

24 Other reserves

	Statutory reserve USD'000	Voluntary reserve USD'000	Foreign currency translation reserve USD'000	Share-based payment reserve USD'000	Merger reserve USD'000	Total USD'000
At 1 January 2014	**2,960**	**2,802**	**413**	**596**	**(5,649)**	**1,122**
Total comprehensive loss for the year	–	–	(5,614)	–	–	(5,614)
At 31 December 2014	**2,960**	**2,802**	**(5,201)**	**596**	**(5,649)**	**(4,492)**
Transfers from accumulated loss	6	–	–	–	–	6
Share based payments				4		4
Total comprehensive loss for the year	–	–	(5,811)	–	–	(5,811)
At 31 December 2015	**2,966**	**2,802**	**(11,012)**	**600**	**(5,649)**	**(10,293)**

Statutory reserve
As required by applicable law and articles of association of certain subsidiaries, 10% of the net profit for each period in those subsidiaries is transferred to statutory reserve until the value of the reserve equals 50% of capital. The reserve is not available for distribution except in cases stipulated by applicable law and articles of association.

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24 Other reserves *continued*

Voluntary reserve

Voluntary reserve represents additional contributions made to the statutory reserve. No contributions have been made since 31 December 2010.

Merger reserve

The merger reserve includes the following:

(i) the conversion on 30 June 2013 of the entire Partners' current account balance of USD 74,022,000 into capital, thus removing any right to repayments and interest on this balance;

(ii) the contribution made by the principal shareholder of the business and assets of the Salmiya hotel to the Group on 1 April 2013, which has been reflected in the financial statements as of 1 January 2012 using merger accounting principles;

(iii) the contribution by the principal shareholder of the lease arrangement (including any related lease premium), which was contributed in kind as a non-cash asset;

(iv) the contribution by the principal shareholder of the Premier Inn Sharjah development site on the date of the IPO; and

(v) the adjustment to the Group's reserves to reflect the share capital and share premium issued by the Company on the share for share exchange on 9 December 2013.

25 Share-based payments

Share options

On admission onto the AIM division of the London Stock Exchange, the Company introduced a share option scheme for the Directors of the Group. The Company granted a total of 7,381,860 options with an exercise price of GBP 0.64, being the placing price of the Group's shares on AIM. The options vest in tranches over a period of 3 years from the grant date and are exercisable for a period of 30 months starting six months after the vesting date. The options are forfeited if the Directors leave the Group before the options vest or within 6 months after the vesting date. These options are cash settled.

In 2014, the Company has introduced a share scheme for key stakeholders. The Company granted a total of 750,000 share options with an exercise price of GBP 0.74. The options vest over 3 years and are exercisable within three years of the relevant vesting dates. One third of the option shares shall vest on the first anniversary of the date when the option is granted. A further one third of the shares shall vest of the second anniversary and the remaining one third shall vest on the third anniversary. These options are equity settled.

Movements in the number of share options outstanding during the year are as follows:

		Average
	Number of options	Exercise price (in GBP)
At 1 January 2014	7,381,860	0.64
Forfeited	(2,952,744)	0.64
Granted	750,000	0.74
At 31 December 2014 and 2015	5,179,116	0.65
Vested and exercisable at 31 December 2015	3,202,744	0.65
Vested and exercisable at 31 December 2014	1,476,372	0.64

No share options expired during 2015.

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25 Share-based payments *continued*

Share options outstanding at the end of the year have the following expiry date and exercise prices.

Grant date	Expiry date	Exercise price	Nature	2015	2014
17 December 2013	17 December 2016	0.64	Cash settled	**4,429,116**	4,429,116
06 May 2014	06 May 2017	0.74	Equity settled	**750,000**	750,000
				5,179,116	5,179,116

The Group recognised total expense of USD 76,000 (2014: nil) related to the share options in 2015.

The below table describes the assumptions used for valuation of cash settled options:

	2015 Exercise price (in GBP)	2014 Exercise price (in GBP)
Share price at grant date	**0.64**	0.64
Option exercise price	**0.64**	0.64
Volatility	**22.9%**	26%
Annual risk free rate	**0.75%**	0.75%

The risk free rate is derived from the yield on UK Government bonds.

The weighted average fair value of options granted during the period determined using the Black Scholes valuation model was GBP 0.032 (2014: GBP 0.024) per option.

The below table describes the assumptions used for valuation of equity settled options:

	2014 Exercise price (in GBP)
Share price at grant date	0.73
Option exercise price	0.74
Volatility	26%
Annual risk free rate	0.75%

The risk free rate is derived from the yield on UK Government bonds.

The weighted average fair value of options granted during 2014 determined using the Black Scholes valuation model was GBP 0.016 per option.

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25 Share-based payments *continued*

Share warrants

On 17 December 2013 the Group issued warrants to subscribe for 3,690,930 ordinary shares of the company exercisable at £0.64 to Omada Investments Limited of which Stefan Allesch-Taylor (non-executive deputy chairman) was a consultant and former Director. The warrants were transferred to Wall Pole in July 2014, in which no member of the Board has any involvement or interest. The warrants are exercisable immediately and expire in December 2016. The fair value of the options was determined to be USD 596,000 using the Binomial model with the same assumptions as used to value employee share options. These share warrants are equity settled.

Movements in the number of warrants outstanding during the year are as follows:

	Number of options	Exercise price (in £)
Outstanding at 31 December 2014 and 2015	3,690,930	0.64
Exercisable at 31 December 2014 and 2015	3,690,930	0.64

No warrants were exercised during the year.

26 Dividends

	2015 USD'000	2014 USD'000
Dividend declared and paid of 2.19 pence fully paid share	**4,944**	–
Dividend declared and paid of 0.96 pence fully paid share	**–**	804
Dividend declared and paid of 0.72 pence fully paid share	**–**	1,713
	4,944	2,517

The proposed final dividend to be paid on 31 May 2016, subject to approval of the dividend at the Company's annual general meeting which is to occur on 3 May 2016. Company's ordinary shares will be marked ex-entitlement to such dividend on 28 April 2016 and the dividend will be payable to all shareholders on the Company's share register at the close of business on 29 April 2016.

27 Financial risk management

The Group's operations expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and foreign currency exchange rate risk). These risk are evaluated by the management on an ongoing basis to assess and manage critical exposures. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Group's finance department.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, trade and other receivables and receivables from related parties.

The Group's cash at banks is placed with financial institutions which hold medium grade credit ratings or higher. The Group also banks with a number of institutions to diversify the risk of any potential credit issues.

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27 Financial risk management *continued*

Trade receivables are presented net of allowance for doubtful accounts. Credit risk with respect to receivables is limited due to the large number of customers. As of 31 December 2015, trade receivables of USD 1,093,000 (2014: USD 1,362,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, trade and other receivables and receivables from related parties.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk.

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital and debt to ensure that it can meet its debt repayments as they fall due and does not breach bank loan covenants.

Of the Group's financial liabilities, only bank loans suffer any interest, at a mix of fixed and variable rates.

The following table analyses Group's undiscounted financial liabilities into relevant maturity groupings based on the end of the period.

	Less than 1 year USD'000	1 to 5 years USD'000	Over 5 years USD'000	Total USD'000	Carrying amount USD'000
31 December 2015					
Trade and other payables	19,762	–	–	19,762	19,762
Due to related parties (note 18)	529	–	–	529	529
Bank borrowings (note 20)	28,032	136,932	66,615	231,579	194,011
	48,323	**136,932**	**66,615**	**251,870**	**214,302**
31 December 2014					
Trade and other payables	8,340	–	–	8,340	8,340
Due to related parties (note 18)	625	–	–	625	625
Bank borrowings (note 20)	21,173	79,037	30,398	130,608	109,901
	30,138	**79,037**	**30,398**	**139,573**	**118,866**

(c) Interest rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest rates. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature is indicated in note 20.

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only some cash and cash equivalents which earn interest at a variable rate. The interest arising on these assets is not considered material to the Group.

Interest bearing liabilities comprise bank loans (note 20). The interest levied on the notes payable is a mix of fixed and variable rates.

The Group's policy for managing interest rate risk includes consideration at Board meetings of the balance between fixed and variable rate interest bearing liabilities and considers changes in market rates, the long term strategy of the Group and the availability of necessary financing.

Notes to the consolidated financial statements
for the year ended 31 December 2015

27 Financial risk management *continued*

The Group has bank borrowings at both fixed and variable rates. The variable rate borrowings of the Group are based on LIBOR, BIBOR, CBK base rate and BBSY. The Group has not entered into any derivative transactions during the year. The table below shows the exposure of Group's variable rate borrowings to interest rate changes and maturity dates of the fixed interest rate borrowings:

	2015 USD'000	2014 USD'000
Fixed interest rate – maturity dates		
6 months or less	**9,471**	9,570
1-5 years	**110**	87
Over 5 years	**36,011**	10,788
Bank borrowing at variable rate	**147,983**	89,456
	193,575	109,901

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, an increase/decrease of 0.5% to all variable rate bank loans, with all other variables held constant, of the Group's profit, capitalised interest and total interest due:

	2015 USD'000	2014 USD'000
Effect on post tax profit	**507**	367
Effect on capitalised interest	**233**	129
Effect on total interest due	**740**	496

An increase in the interest rate results in a decrease in the net profit/increase in net loss for each respective year and vice versa for a decrease in the rate.

Details of the terms of the Group's borrowings are disclosed in note 20.

The Directors have reviewed the fair value of the fixed rate bank borrowings and have concluded that there is no material variance between the carrying value of loans and their fair value. The fair values of Group's bank borrowings are within Level 2 of the fair value hierarchy (note 28).

(d) Foreign currency exchange rate risk

The Group 's operations and headquarters are in the Dubai International Financial Centre and the Group records transactions in US Dollar, its functional currency, a currency which is pegged to a basket of international currencies weighted towards the US Dollar. The Group operates in a number of other countries in the Middle East, which similarly have functional currencies which are pegged either to a basket of currencies, weighted towards the US Dollar, or to the US Dollar itself. The Directors do not believe that the foreign currency exchange rate risk exposure of the Group in these jurisdictions is material.

The Group's operations in Australia give rise to transactions denominated in Australian Dollars, which results in exposure to a material foreign currency exchange rate risk.

During the period the Group did not enter into any arrangements to hedge this risk, as the Directors did not consider the exposure to be significant given the short term nature of the balances.

Notes to the consolidated financial statements
for the year ended 31 December 2015

27 Financial risk management *continued*

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency rate, an increase/decrease of 5% to all foreign currency denominated borrowings, with all other variables held constant:

	2015 USD'000	2014 USD'000
Increase by 5%	**(7,844)**	(4,264)
Decrease by 5%	**8,669**	4,713

28 Fair value measurements of non-current assets

Fair value of hotels in operation or under construction

Hotels in operation or under construction are revalued to fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of each property are recognised as a separate linein the statement of total comprehensive income and the revaluation reserve. Any deficit on revaluation, if temporary, is recognised in the statement of total comprehensive income and the revaluation reserve. If a deficit below original cost arises it is recognised in the income statement as an impairment.

The fair value measurements at the end of each reporting period, along with a reconciliation of the movements in respect to these balances, are shown in note 15.

The Group revalues operational hotels and hotels under construction on the basis of forecast future operating profits discounted to give a net present value. The forecasts are based on the Directors' best estimate of future trading drawn from their historic experience of the Group and the hotel industry as a whole. The discount rates used and the valuations themselves have been prepared by independent valuers in each reporting period.

Fair value of investment property

Investment property relates to land held for undetermined use and is revalued to fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of investment property is recognised in the income statement.

The fair value measurements at the end of each reporting period, along with a reconciliation of the movements in respect to these balances, are shown in note 14.

The residual price technique has been used by the independent valuers. This technique represents determination of the estimated selling price of a project development of the plot of land; reduced by the estimated construction and other cost to completion that would be incurred by a market participant and an estimated profit margin that a market participant would require to hold and develop the plots to completion.

Fair value hierarchy

The Directors' believe that these valuations, on the basis of current use, represent the highest and best use of the respective assets.

This technique has remained unchanged and the Directors of the Group review the valuation process undertaken each year and consider whether it remain appropriate.

The Group uses the following hierarchy for determining the fair value of assets and liabilities held at fair value by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

Notes to the consolidated financial statements
for the year ended 31 December 2015

28 Fair value measurements of non-current assets *continued*

The fair value measurements of property, plant and equipment and investment properties are classified as Level 3 in the fair value hierarchy in their entirety, due to the fact that significant unobservable inputs are used in arriving at an appropriate fair value.

The fair value measurement is sensitive to changes in unobservable inputs. The discount and yield rates used by the independent valuers to establish a net present value for each separately valued property are as follows and if changed, could result in a materially different fair value.

	At 31 December 2015 USD'000	At 31 December 2014 USD'000
Discount rate: owned asset	**8.24% –12.25%**	12% – 14%
Exit yield	**7.5% – 10.5%**	9% – 9.5%
Average daily rate (ADR) (in USD)	**66.7 – 151.2**	73.5 – 220.2
Occupancy rate	**56% – 87.7%**	60% –85%

The independent valuers utilise available market data and their experience in each respective market and jurisdiction to arrive at appropriate assumption.

The key assumptions to which the calculation of fair value of hotels in operation or under construction for the Group is most sensitive and the corresponding increase/decrease in fair value are set out below:

	2015	
	Increase USD'000	**Decrease USD'000**
5% change in ADR	**17,550**	**(17,025)**
5% change in discount rate	**(9,344)**	**9,786**
5% change in occupancy rate	**17,728**	**(18,249)**

	2014	
	Increase USD'000	Decrease USD'000
5% change in discount rate	(20,000)	20,000

The future forecast results represent an unobservable input for each property. Each separate property valuation is directly dependent on the forecast results and hence a decrease in expected future results would result in a similar proportional reduction in the fair value measurement related to the property.

Notes to the consolidated financial statements
for the year ended 31 December 2015

28 Fair value measurements of non-current assets *continued*

Fair value of investment property

The fair value measurement is sensitive to changes in unobservable inputs. The discount and yield rates used by the independent valuers to establish a net present value for each separately valued property are as follows and if changed, could result in a materially different fair value.

	At 31 December 2015
Discount rate: owned asset	10.5% – 11%
Average daily rate (ADR) (in USD)	108.9 – 181.2
Occupancy rate	55% – 75%

The independent valuers utilise available market data and their experience in each respective market and jurisdiction to arrive at an appropriate discount rate.

The future forecast results represent an unobservable input for each property. Each separate property valuation is directly dependent on the forecast results and hence a decrease in expected future results would result in a similar proportional reduction in the fair value measurement related to the property.

	2015	
	Increase USD'000	Decrease USD'000
5% change in ADR	3,685	(3,685)
1% change in discount rate	(4,634)	5,059
5% change in occupancy rate	3,326	(3,326)

29 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Board of Directors monitors the level of capital as compared to the Group's long term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders.

The Group is not subject to any externally imposed capital requirements (2014: none).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and bank balances. Total capital is calculated as total equity, as shown in the consolidated statement of financial position plus net debt.

Notes to the consolidated financial statements
for the year ended 31 December 2015

29 Capital risk management *continued*

For the purposes of capital risk management, the total capital resources consist of the following components:

	2015 USD'000	2014 USD'000
Borrowings (note 20)	**193,576**	109,901
Less: Cash and bank balances (note 16)	**(9,541)**	(6,734)
Net debt	**184,035**	103,167
Total equity	**195,889**	185,989
Net debt to equity ratio	**94%**	55%

The increase in gearing is primarily attributable to the continued utilisation of cash into the construction and acquisition of new properties.

30 Commitments and contingent liabilities

Stamp duty, capital gains tax and income tax

As part of the reorganisation in 2013, the beneficial ownership and control of the Australian entities was transferred to the Group. Management have sought tax advice which has concluded that the establishment of the new trust structure and associated change in classes of beneficiaries for this transfer should not of itself trigger any stamp duty on the properties held in Australia.

Stamp duty

If any of the restructuring steps did result in stamp duty, such duty would generally be calculated by reference to the unencumbered market value of the underlying dutiable property of the Discretionary Trusts at rates of up to 5.5% in Victoria and 5.75% in Queensland. Hence the Victorian duty liability on the Glen Waverley asset would be up to USD 1,900,000. The Queensland duty liability on the Brisbane asset would be up to USD 900,000 based on the current unencumbered market value for the Brisbane asset.

The listing of the Group should also not result in landholder duty in Victoria provided the Group has not and is not declared a listed company by the Victorian Commissioner of State Taxation. If stamp duty were to become payable, it would be approximately USD 200,000. Management consider that there are likely to be reasonable arguments that a relevant duty benefit would not arise as a result of the proposed transactions.

Capital gains tax

If any of the restructuring steps did result in a capital gains tax liability, such tax would be calculated by reference to the unencumbered market value of the properties less their tax basis at rates of up to 30%. The resulting tax based on the valuation of the properties at 31 December 2015 would be USD 5,500,000 (2014: USD 5,500,000) and is already effectively included within the deferred tax liability recorded on the statement of financial position.

Notes to the consolidated financial statements
for the year ended 31 December 2015

30 Commitments and contingent liabilities *continued*

Income tax

In certain of the jurisdictions that the Group operates in, foreign ownership of its assets or business is either prohibited or could lead to additional tax liabilities. Management is confident that the corporate structure put in place as part of the Company's admission to the AIM division of the London Stock Exchange mitigates the risks posed in this respect. Management has therefore concluded that no material tax exposure exists in these jurisdictions.

Should the Group's business in these jurisdictions become subject to tax under the current structure, Management estimate that USD 151,000 of income tax would potentially be assessed on the Group for the year ended 31 December 2015.

Commitments on properties under construction

At 31 December 2015, the Group had entered into contractual commitments on construction costs of hotels under construction amounting to USD 37,859,000 (2014: USD 45,000,000).

31 Operating lease arrangements

The Group leases land, building and office space under various operating lease agreements. The remaining lease terms of the majority of the leases are between one to twenty years and are renewable at mutually agreed terms.

	2015 USD'000	2014 USD'000
Lease payments under operating leases recognised as an expense in the year	**2,597**	2,762

At the balance sheet date, the future minimum lease payments payable under operating leases are as follows:

	2015 USD'000	2014 USD'000
Within one year	**4,010**	2,785
Between two and five years inclusive	**10,586**	7,859
After 5 years	**24,022**	–
	38,618	10,644

Notes to the consolidated financial statements
for the year ended 31 December 2015

32 Interest in other entities

(a) Material subsidiaries

The following subsidiaries have been included in the consolidated financial information of the Group:

Name	Country of incorporation	Percentage holding as at 2015	Percentage holding as at 2014	Beneficial Ownership 2015	Beneficial Ownership 2014
Action Hotels Limited	UAE	**100%***	100%*	**100%**	100%
Action Hotels Company W.L.L.	Kuwait	**99%**	99%	**100%**	100%
Action Hotels Ltd LLC	UAE	**49%**	49%	**100%**	100%
Premier Inn Hotels LLC	UAE	**100%**	100%	**100%**	100%
Tulip Inn RAK LLC	UAE	**49%**	–	**50%**	–
Action Hotels FZ-LLC	UAE	**50%**	–	**50%**	–
Seeb Hotels Company L.L.C.	Oman	**100%**	100%	**100%**	100%
Action Hotels Company L.L.C.	Oman	**100%**	100%	**100%**	100%
Action Hotels Oman SAOC	Oman	**69%**	69%	**100%**	100%
Action Hotel Sohar LLC	Oman	**100%**	100%	**100%**	100%
Action Tourism for Hotel Management Co. W.L.L.	Bahrain	**100%**	100%	**100%**	100%
Action Hotels Co. P.S.C.	Jordan	**100%**	100%	**100%**	100%
Action Hotels Group Discretionary Trust	Australia	**100%**	100%	**100%**	100%
GW Hotel Group Pty Limited	Australia	**100%**	100%	**100%**	100%
Glen Waverly Hotels Pty Limited	Australia	**100%**	100%	**100%**	100%
The Glen Waverley Hotel – Discretionary Trust	Australia	**100%**	100%	**100%**	100%
Elizabeth Street Brisbane Pty Limited	Australia	**100%**	100%	**100%**	100%
Elizabeth St Brisbane – Discretionary Trust	Australia	**100%**	100%	**100%**	100%
ibis Melbourne Airport Hotel Pty Ltd	Australia	**100%**	–	**100%**	–
ibis Melbourne Airport Hotel Unit Trust	Australia	**100%**	–	**100%**	–

The other 1% investment in Seeb Hotels Company L.L.C. (Sultanate of Oman), Action Hotels Company L.L.C. (Sultanate of Oman) and Action Tourism for Hotel Management Co. W.L.L. (Kingdom of Bahrain) are registered in the name of a related party and there is a waiver letter that the beneficial ownership of this investment is in favour of the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2015

32 Interest in other entities *continued*

(b) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

	Action Hotels FZ-LLC 2015 USD'000	Tulip Inn Ras Al Khaimah LLC 2015 USD'000
Current assets	14	1,734
Current liabilities	1,106	1,013
Current net assets	(1,092)	721
Non-current assets	19,859	13,613
Non-current net assets	19,859	13,613
Net assets	18,767	14,334
Accumulated NCI	9,383	7,167

Summarised statement of comprehensive income

	Action Hotels FZ-LLC 2015 USD'000	Tulip Inn Ras Al Khaimah LLC 2015 USD'000
Administrative expenses	–	(73)
Revaluation gain	2,808	–
Profit for the period	2,808	(73)
Other comprehensive income	–	1,228
Total comprehensive income	2,808	1,155
Profit/(loss) allocated to NCI	1,404	577

Summarised cash flows

	Action Hotels FZ-LLC 2015 USD'000	Tulip Inn Ras Al Khaimah LLC 2015 USD'000
Cash flows from operating activities	1,092	(794)
Cash flows from investing activities	(17,050)	(12,385)
Cash flows from financing activities	15,958	13,179
Net increase/(decrease) in cash and cash equivalents	–	–

Notes to the consolidated financial statements
for the year ended 31 December 2015

33 Financial instruments by category
The accounting policies of financial position have been applied to the line items below:

	Classification	2015 USD'000	2014 USD'000
Assets as per Statement of financial position			
Cash and bank balances	Loans and receivables	**9,541**	6,734
Trade and other receivables	Loans and receivables	**8,022**	3,266
Due from related parties	Loans and receivables	**708**	3,992
		18,271	13,992
Liabilities as per Statement of financial position			
Trade and other payables (note 19)	Liabilities at amortised cost	**19,761**	8,340
Due to related parties (note 18)	Liabilities at amortised cost	**529**	625
Bank borrowings (note 20)	Liabilities at amortised cost	**193,575**	109,901
		213,865	118,866

34 Ultimate controlling party
Action Group Holding Company K.S.C.C., which is under the control of Dr. Suad Al-Sabah was the principal shareholder at 31 December 2014 and 2015. It held 64.7% of the Action Hotel plc's shares. In accordance with the relationship agreement with Action Group Holding Company K.S.C.C, Action Hotels plc is able to operate independently of Action Group Holding Company K.S.C.C. and its associates and hence there is no ultimate controlling party.

35 Events occurring after the reporting period
After the statement of financial position date, the Group acquired a prime freehold plot of land located in Innovation Hub, within Dubai's Media City, from Innovation Hub FZLLC, a subsidiary of TECOM Group.

Notice of Annual General Meeting

ACTION HOTELS PLC

(the "Company")

a company incorporated in Jersey, Channel Islands with Registered Number 112945

Notice is hereby given to all members that the annual general meeting of the Company will be held on 18 May 2016 at 11.00 am at the offices of Zeus Capital, 41 Conduit Street London W1S 2YQ in order to consider and if thought fit, pass, with or without amendments, the following resolutions, of which resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:-

ORDINARY RESOLUTIONS

1. Accounts

To receive and consider the annual report and accounts of the Company (including the reports of the directors and auditors) for the financial period ended 31 December 2015.

2. Election of directors

To re-elect as directors the following who will retire by rotation and, being eligible, offers themselves for re-election:-

(a) Alain Bruno Debare

(b) Raymond Pierre Chigot

3. Re-appointment of auditors

To re-appoint PricewaterhouseCoopers as auditors of the Company to hold office until the next meeting at which accounts are laid before the Company and to authorise the directors to agree the remuneration of the auditors of the Company.

4. Final Dividend

To declare a final dividend in respect of the year ended 31 December 2015 of GBP 1.47 pence per share which is expected to be paid on 31 May 2016.

SPECIAL RESOLUTION

5. Dis-application of pre-emption rights

THAT the directors be and are hereby empowered to allot equity securities wholly for cash pursuant to the authority conferred by Articles 5.1 and 5.4 of the articles of association of the Company (the "Articles") as if Article 5.4 of the Articles did not apply to any such allotment, provided that this power shall be limited to the allotment of Equity Securities (as defined in the Articles):

(a) in connection with an offer of such securities by way of rights to holders of shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange or otherwise; and

(b) otherwise than and in addition to pursuant to sub-paragraph (a) of this resolution up to a maximum aggregate nominal amount equal to £1,476,371.95 (being approximately 10 per cent. of the issued share capital of the Company as at 28 April 2016),

and provided that this authority shall expire on the 15 month anniversary of the date of this special resolution or on the conclusion of the Company's next annual general meeting, if earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require Equity Securities to be allotted after such expiry and the directors may allot Equity Securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

By Order of the Board

Alain Debare
Chief Executive Officer

28 April 2016

Registered Office address: 17 Bond Street, St Helier, Jersey, Channel Islands, JE2 3NP

Notice of Annual General Meeting continued

Notes:

(1) In order to be entitled to attend and/ or vote at the AGM, a Shareholder must be entered on the register of members of the Company as being a holder of the Company's shares at 5.00 p.m. (UK time) on 16 May 2016.

(2) Shareholders entitled to attend and vote may appoint a proxy or proxies to attend and vote on their behalf. A proxy need not be a member of the Company.

(3) A Form of Proxy is enclosed for the AGM. All Shareholders who do not intend attending the AGM are asked to complete and return a Form of Proxy. To be valid, the Form of Proxy (and the power of attorney or other authority, if any, under which it is signed or a duly certified copy of such authority) must be deposited at the Company's Registrars, Computershare Investor Services Plc, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom. The Form of Proxy will not be valid unless it is deposited with the Company's Registrars no later than 48 hours before the time for the holding of the AGM or any postponement or adjournment thereof. Completion and return of a Form of Proxy does not prevent a member from attending and voting in person at the meeting.

(4) In the case of an individual, the Form of Proxy must be signed by the appointor or by his or her attorney duly authorised in writing.

(5) In the case of a corporation, the Form of Proxy must either be executed under its seal or under the hand of a duly authorised officer or attorney.

(6) In the case of joint holders, such persons shall elect one of their number to represent them and to vote whether in person or by proxy. In default of such election the person whose name stands first in the register of members shall alone be entitled to vote.

(7) A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

(8) The Chairman may reject/accept any Form of Proxy which is completed and/or received other than in compliance with these notes.

(9) A proxy for a Shareholder will exercise his discretion as to how he votes or whether he abstains from voting:

   (i) on the resolutions set out in the notice of annual general meeting if no instruction or contradictory instruction is given in the Form of Proxy in respect of the resolutions; and

   (ii) on any business or resolution considered at the meeting (or at any postponement or adjournment thereof) other than the resolutions set out in the notice of annual general meeting.

(10) The following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Zeus Capital, 41 Conduit Street, London W1S 2YQ from the date of this notice until the date of the meeting, and at the meeting from 15 minutes prior to its commencement until it ends:

   (i) copies of the service contracts of each of the directors of the Company;

   (ii) the register of directors' interests in the share capital of the Company; and

   (iii) copies of articles of incorporation of the Company.

Explanatory Notes to the Notice of Annual General Meeting
The notes below give further information in relation to the resolutions set out in the notice of the annual general meeting of the Company to be held on 18 May 2016.

Ordinary Resolution 1 – annual report and accounts
The directors must present the accounts of the Company and the reports of the directors and the auditors for the year ended 31 December 2015 to shareholders at the annual general meeting and resolution 1 will be proposed for this purpose. The annual report and accounts published and made available to shareholders by post and by emailing the Company (jessica@actionhotels.com)

Ordinary Resolutions 2(a) and (b) – re-election of directors
Resolutions 2(a) and (b) deal with the re-election of directors. The Articles require one third of the number of directors to be re-elected at each annual general meeting and accordingly each of Alain Bruno Debare and Raymond Pierre Chigot, being two of the directors who have been in office the longest since their last election offer themselves for re-election.

Biographies of each of the directors seeking re-election at this year's annual general meeting can be found in the 2015 Report and Accounts.

Ordinary Resolution 3 – re-appointment of auditors and auditors' remuneration
The Company is required at each general meeting at which accounts are presented to appoint auditors to hold office until the next such meeting. Accordingly, resolution 3 proposes the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors.

Resolution 3 also authorises the directors to agree the auditors' remuneration.

Ordinary Resolution 4 – final dividend
A final dividend of GBP 1.47 pence per ordinary share for the year ended 31 December 2015 is recommended for payment by the directors. If approved, the final dividend is expected to be paid on 31 May 2016. It is expected that the Company's ordinary shares will be marked ex-entitlement to such dividend on 28 April 2016 and the dividend will be payable to all shareholders on the Company's share register at the close of business on 29 April 2016.

Special Resolution 5 – disapplication of pre-emption rights
Under Article 5.1 of the Articles, the unallotted and unissued shares of the Company shall be at the disposal of the Board, which may allot, grant options over or otherwise dispose of the shares to such persons on such terms and conditions and at such times as the Board shall determine. Under Article 5.4 of the Articles, the Company members have pre-emption rights when the Company is proposing to allot equity securities wholly for cash and the pre-emption rights may be disapplied by way of an extraordinary resolution under Article 5.4 of the Articles. The pre-emption rights contained in Article 5.4 of the Articles do not apply to the allotment of shares or the grant of options over shares to be held under an employees' share scheme.

It is proposed to renew the Board authority under Article 5.1 of the Articles to allot the unallotted and unissued shares in the capital of the Company as if the pre-emption rights contained in Article 5.4 of the Articles did not apply to further allotment of shares in the Company wholly for cash, provided (i) that such power is limited to the allotment of equity securities up to a maximum aggregate nominal amount equal to £1,476,371.95 (being 14,763,719 Ordinary Shares) which equals approximately 10 per cent of the issued share capital of the Company as at the date of this document; and (ii) that such authority is to expire 15 months after the passing of the proposed resolution or if earlier, on the conclusion of the next annual general meeting of the Company.

In addition, the authority given by Resolution 5 will also empower the directors to modify the situation with regard to offers by way of rights issue such that they may effect such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of any territory or requirements of any regulatory body or stock exchange or otherwise.

Corporate Directory

Directors, Secretary and Advisors

Directors

- H.E. Sheikh Mubarak Abdullah Al-Mubarak Al-Sabah (Non-Executive Chairman)
- Stefan Paul Allesch-Taylor CBE (Non-Executive Deputy Chairman)
- Alain Bruno Debare (Chief Executive Officer)
- Rawaf I Bourisli (Development Director)
- Raymond Pierre Chigot (Non-Executive Director)
- John Joseph Johnston (Non-Executive Director)

Business Address and Principal Place of Business

Gate Village 2 – Level 4
PO Box 23506
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Company Secretary and Registered Office

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Jersey
JE2 3NP
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Nominated Advisor and Broker

ZEUS Capital Ltd
41 Conduit Street
London
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Independent Auditor

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Emaar Square, Building 4, Level 8
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