KUWAIT HOTELS COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kuwait Hotels Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, 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 auditors consider 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 management, 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 present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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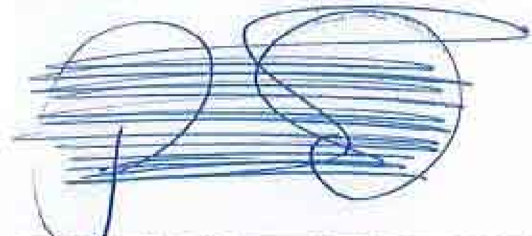
AL-WAHA
AUDITING OFFICE
ALI OWAID RUKHAEYES

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, the executive regulation of Law No. 25 of 2012, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and the executive regulation of Law No. 25 of 2012 or of the Parent Company's Memorandum of Incorporation and Articles of Association as amended, have occurred during the year ended 31 December 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS



ALI OWAID RUKHEYES
LICENCE NO. 72-A
MEMBER OF THE INTERNATIONAL ACCOUNTING GROUP

22 February 2016
Kuwait

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
Revenues	5	**7,846,930**	8,670,123
Management fees		**947,907**	1,054,427
Cost of revenues		**(6,761,961)**	(7,345,463)
GROSS PROFIT		**2,032,876**	2,379,087
Other income	6	**66,279**	158,976
Administrative expenses		**(2,155,581)**	(2,154,128)
Selling and distribution expenses		**(204,549)**	(240,905)
Unrealized loss on financial assets at fair value through profit or loss		**-**	(26,039)
Finance cost		**(768)**	(1,877)
Impairment of intangible assets	11	**-**	(17,887)
Share of results of an associate		**15,750**	(16,051)
Impairment of financial assets available-for-sale	12	**-**	(49,868)
Realised loss on disposal of financial assets available-for-sale		**(198,899)**	-
Reversal of provision for loss on legal claim	20	**716,023**	-
PROFIT FOR THE YEAR BEFORE CONTIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND TAXATION		**271,131**	31,308
KFAS		**(2,428)**	(411)
Income tax on overseas operations	7	**(61,612)**	(21,180)
PROFIT FOR THE YEAR	9	**207,091**	9,717
Attributable to:			
Equity holders of the Parent Company		**267,338**	23,044
Non-controlling interests		**(60,247)**	(13,327)
		207,091	9,717
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT COMPANY	8	**4.8 fils**	0.4 fils

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	*2014*
	KD	*KD*
Profit for the year	**207,091**	9,717
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Unrealised loss on financial assets available-for-sale	**(1,508)**	(3,967)
Exchange difference on translation of foreign operations	**(20,833)**	(6,122)
Other comprehensive loss for the year	**(22,341)**	(10,089)
Total comprehensive income (loss) for the year	**184,750**	(372)
Attributable to:		
Equity holders of the Parent Company	**244,997**	11,844
Non-controlling interests	**(60,247)**	(12,216)
	184,750	(372)

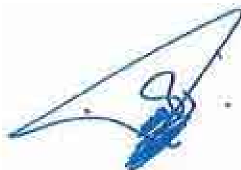
The attached notes 1 to 28 form part of these consolidated financial statements.

Kuwait Hotels Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	*2015 KD*	*2014 KD*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**4,250,388**	4,501,618
Intangible assets	11	**1,310,451**	1,230,699
Investment in an associate		**78,481**	66,897
Financial assets available-for-sale	12	**128,303**	582,203
		5,767,623	6,381,417
Current assets			
Inventories		**919,131**	1,024,225
Accounts receivable and prepayments	13	**2,420,860**	2,713,287
Financial assets at fair value through profit or loss	24	**71,400**	71,400
Cash and cash equivalents	14	**649,283**	2,261,541
		4,060,674	6,070,453
TOTAL ASSETS		**9,828,297**	12,451,870
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**5,775,000**	5,775,000
Statutory reserve	16	**704,926**	677,949
Voluntary reserve	16	**302,220**	275,243
Treasury shares	17	**(223,952)**	(223,952)
Cumulative changes in fair values reserve		**(40,822)**	(39,314)
Foreign currency translation reserve		**(178,810)**	(157,977)
Other reserve	18	**(513,600)**	(513,600)
Retained earnings		**227,500**	14,116
Equity attributable to equity holders of the Parent Company		**6,052,462**	5,807,465
Non-controlling interests		**(30,661)**	29,586
Total equity		**6,021,801**	5,837,051
Non-current liability			
Employees' end of service benefits	19	**1,034,998**	1,006,185
Current liabilities			
Accounts payable and accruals	20	**2,771,498**	5,573,999
Tawarruq payable		-	34,635
		2,771,498	5,608,634
Total liabilities		**3,806,496**	6,614,819
TOTAL EQUITY AND LIABILITIES		**9,828,297**	12,451,870



Ahmad Yousef El-Kandari
Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

Kuwait Hotels Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Parent Company										
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Cumulative changes in fair values reserve KD*	*Foreign currency translation Reserve KD*	*Other reserve KD*	*Retained earnings (accumulated losses) KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2015	5,775,000	677,949	275,243	(223,952)	(39,314)	(157,977)	(513,600)	14,116	5,807,465	29,586	5,837,051
Profit (loss) for the year	-	-	-	-	-	-	-	267,338	267,338	(60,247)	207,091
Other comprehensive loss	-	-	-	-	(1,508)	(20,833)	-	-	(22,341)	-	(22,341)
Total comprehensive (loss) income for the year	-	-	-	-	(1,508)	(20,833)	-	267,338	244,997	(60,247)	184,750
Transfer to reserves	-	26,977	26,977	-	-	-	-	(53,954)	-	-	-
At 31 December 2015	**5,775,000**	**704,926**	**302,220**	**(223,952)**	**(40,822)**	**(178,810)**	**(513,600)**	**227,500**	**6,052,462**	**(30,661)**	**6,021,801**
As at 1 January 2014	5,775,000	673,485	611,390	(223,952)	(35,347)	(150,744)	(513,600)	(58,442)	6,077,790	41,802	6,119,592
Profit (loss) for the year	-	-	-	-	-	-	-	23,044	23,044	(13,327)	9,717
Other comprehensive income (loss)	-	-	-	-	(3,967)	(7,233)	-	-	(11,200)	1,111	(10,089)
Total comprehensive income (loss) for the year	-	-	-	-	(3,967)	(7,233)	-	23,044	11,844	(12,216)	(372)
Transfer to reserves	-	4,464	4,464	-	-	-	-	(8,928)	-	-	-
Accumulated losses write off	-	-	(58,442)	-	-	-	-	58,442	-	-	-
Dividends	-	-	(282,169)	-	-	-	-	-	(282,169)	-	(282,169)
At 31 December 2014	5,775,000	677,949	275,243	(223,952)	(39,314)	(157,977)	(513,600)	14,116	5,807,465	29,586	5,837,051

The attached notes 1 to 28 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	*2015* *KD*	*2014* *KD*
OPERATING ACTIVITIES			
Profit for the year		**207,091**	9,717
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation and amortisation	10 & 11	**465,957**	540,775
Gain on disposal of property, plant and equipment	6	**(4,365)**	(20,520)
Impairment of intangible assets	11	**-**	17,887
Impairment of financial assets available-for-sale	12	**-**	49,868
Provision for employees' end of service benefits	19	**185,547**	205,826
Provision for doubtful debts	13	**130,356**	134,247
Provision for obsolete and slow moving inventories		**40,600**	5,080
Unrealized loss on financial assets at fair value profit or loss		**-**	26,039
Interest income	6	**(7,443)**	(5,220)
Finanee cost		**768**	1,877
Write-off of property, plant and equipment	10	**28,312**	7,000
Share of result of an associate		**(15,750)**	16,051
Realized loss on financial assets available-for-sale		**198,899**	-
Reversal of provision for loss on legal claim	20	**(716,023)**	-
		513,066	988,627
Working capital changes:			
Inventories		**64,494**	(95,477)
Accounts reeeivable and prepayments		**162,071**	794,916
Accounts payable and accruals		**(2,086,478)**	(662,398)
Cash flows (used in) from operating activities		**(1,345,964)**	1,025,668
Employees' end of service benefits paid	19	**(156,734)**	(296,899)
Net cash flows (used in) from operating activities		**(1,502,698)**	728,769
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(226,352)**	(147,349)
Proceeds from disposal of property, plant and equipment		**5,176**	20,520
Purchase of intangible assets	11	**(117,250)**	(57,000)
Proceeds from disposal of intangible assets		**20,000**	
Proceeds from sale of financial assets available-for-sale		**253,493**	-
Interest income received		**7,443**	5,220
Net eash flows used in investing activities		**(57,490)**	(178,609)
FINANCING ACTIVITIES			
Finance cost paid		**(768)**	(1,877)
Dividends paid		**-**	(264,775)
Repayment of Tawarruq		**(34,635)**	(1,819)
Net cash flows used in financing activities		**(35,403)**	(268,471)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,595,591)**	281,689
Net foreign exchange difference		**(16,667)**	983
Cash and cash equivalents at 1 January		**2,261,541**	1,978,869
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**649,283**	2,261,541

The attached notes 1 to 28 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of Kuwait Hotels Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 22 February 2016 and are subject to the approval of the Annual General Meeting of the Shareholders of the Parent Company. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company was incorporated at 12 June 1962 in accordance with Companies Law of Kuwait and is listed on the Kuwait Stock Exchange. The Group is engaged in owning, operating and managing hotel, commercial and residential properties; catering services; importing of consumer durables, machinery and equipment; and investment in similar business in or outside Kuwait. The Parent Company's registered office is P. O. Box 833, Safat 13009, Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss and financial assets available-for-sale that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the functional currency of the Group.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 BASIS OF CONSOLIDATION (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements includes the financial statements of the Parent Company and its subsidiaries. The subsidiaries of the Group are as follows:

Name	*Country of incorporation*	*Principal activities*	*Reporting date*	*Equity interest*	
				2015	*2014*
Kuwait Catering Company K.S.C. (Closed) ("KCC")	Kuwait	Catering services	31 December 2015	**99.54%**	99.54%
Safat Catering Services Company K.S.C. (Closed) ("SCC")	Kuwait	Catering services	31 December 2015	**99.00%**	99.00%
Safir International Hotel Management Company E.C. ("SIHM")	Kingdom of Bahrain	Hotel contract management	31 December 2015	**99.90%**	99.90%
Jadi Catering Company W.L.L.	State of Qatar	Catering services	31 December 2015	**50.00%**	50.00%
Safir International Hotel and Resort Management L.L.C ("SIHM Dubai")	United Arab Emirates	Hotel contract management	31 December 2015	**100%**	100%
Held through KCC:					
Safir Support Services Company K.S.C. (Closed)	Kuwait	Manpower supply	31 December 2015	**99.70%**	99.70%
Held through SCC:					
Ramo Trading Company W.L.L.	Kuwait	Pastry and bakery manufacturing and trading	31 December 2015	**99.90%**	99.90%

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue recognition
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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment excluding discounts. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Sale of goods
Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, normally on delivery of the goods.

Management fees
Revenue from management fees is recognised on an accrual basis based on a percentage of total revenues and gross/net operating profit of the hotels managed by the Group as stipulated in the management agreements.

Revenue from rendering of services
Revenue from rendering services is recognised when the related services are provided.

Rental income
Rental income is recognised when earned on a time apportionment basis.

Interest income
Interest income is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in other income in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Parent Company calculates the contribution to KFAS in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat

Zakat is provided for in accordance with the fiscal regulations in Kuwait. The Zakat charge calculated in accordance with these requirements is charged to the consolidated income statement.

Taxation on overseas subsidiary

Income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not implicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of land lease rights are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the land lease rights and recognised over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or transaction of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are translated at the average rates of exchange for the year. The exchange differences arising on the translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and/or any accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	10 to 25 years
Machinery, equipment and furniture	3 to 15 years
Improvements and decorations	4 to 10 years
Motor vehicles	3 to 8 years

Capital work in progress is stated at cost. Following completion, capital work in progress is transferred to the relevant class of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
A summary of the policies applied to the Group's intangible assets is as follows:

	Land lease rights from government	*Trademark*	*Key money*	*Software license*	*Lease rights from others*
Useful lives	Indefinite	Indefinite	Indefinite	Finite	Finite
Amortisation method used	No amortisation	No amortisation	No amortisation	Amortised over a period of 8 years	Amortised on a straight-line basis over the period of the lease rights

Investment in an associate
The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated income statement and represents profit or loss after tax and NCI in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. In case of different reporting date of an associate, which is not more than three months from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the Group's reporting date. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the impairment loss in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on weighted average basis
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make sale.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the consolidated income statement.

For assets excluding key money, an assessment is made at each reporting date whether there is an indication that previously recognised impairment losses may no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Key money
Key money is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for key money by assessing the recoverable amount of each CGU (or group of CGUs) to which the key money relates. Where the recoverable amount of the CGU is less than their carrying amount an impairment loss is recognised.

Other intangible assets
Other intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available-for-sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)
The Group's financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivables and financial assets available-for-sale. At 31 December 2015, the Group did not have any held-to-maturity investments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets are designated at fair value through profit or loss if they are managed and their performance is evaluated on reliable fair value basis in accordance with documented investment strategy.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

Loans and receivables
This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 13.

Financial assets available-for-sale
Financial assets available-for-sale include equity investments and debt securities. Equity investments classified as financial assets available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the cumulative changes in fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the cumulative changes in fair value to the statement of profit or loss in finance costs. Interest earned whilst holding financial assets available-for-sale is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its financial assets available-for-sale in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks and short term deposits with original maturity of three months or less.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)
Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired
- the Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive eash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an assoeiated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original earrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Impairment of financial assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future eash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experieneing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indieating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available-for-sale
For financial assets available-for-sale, the Group assesses at eaeh reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transactions costs.

The Group's financial liabilities include accounts payable and accruals and Tawarruq payable. At 31 December 2015, the Group did not have any financial liabilities at fair value through profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and dereeognition (continued)
(iii) Financial liabilities (continued)
Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or serviees received, whether billed by the supplier or not.

Tawarruq payable
Tawarruq payable represent amounts due arising from an Islamic financing investment where the liability is settled on a deferred payment basis. Tawarruq payables are stated net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding. Instalments due within one year are shown as current liability.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

(iv) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

Treasury shares
The Parent Company's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to Kuwaiti employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as result of a past event, 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.

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economie benefits is remote.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the adoption of the following amended IASB Standards:

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:
• An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

• The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 21 in this period's financial statements.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exeeption in IFRS 13.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Group during the eurrent period.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. For the investments where this estimation cannot be reliably determined, they are carried at cost less impairment.

Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition.

Impairment of financial assets available-for-sale
The group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement and involves evaluating factors including industry and market conditions, future cash flows and discount factors.

Impairment of inventories
Inventories are valued at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

Impairment of trade accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of property, plant and equipment and intangible assets
A decline in the value of property, plant and equipment and intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value that would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Useful lives of property, plant and equipment and intangible assets
The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where management believes the useful lives differs from previous estimates.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB standards and interpretations relevant to the Group have been issued but are not yet mandatory, and have yet not been adopted by the Group:

IFRS 9 Financial Instruments
The IASB issued IFRS 9 – Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets, but is not expected to have a significant impact on the classification and measurement of Group's financial liabilities The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 15: Revenue from Contracts with customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. The Group is in process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its financial position or performance.

5 REVENUES

	2015 *KD*	*2014* *KD*
Revenue from rendering of services	**4,412,897**	5,119,903
Sale of goods	**2,824,754**	2,946,166
Rental income	**609,279**	604,054
	7,846,930	8,670,123

6 OTHER INCOME

	2015 *KD*	*2014* *KD*
Gain on disposal of property, plant and equipment	**4,365**	20,520
Interest income	**7,443**	5,220
Sales and marketing support fee	**-**	75,829
Other	**54,471**	57,407
	66,279	158,976

7 INCOME TAX ON OVERSEAS OPERATIONS

Income tax on overseas subsidiary represents tax for operations in Egypt, Syria and Lebanon and is calculated in accordance with the applicable tax law of these countries.

On 22 April 2015, the Group agreed to settle the tax claims related to Egypt operations for the period 1994 till 2004.

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	2015	*2014*
Profit for the year attributable to equity holders of the Parent Company (KD)	**267,338**	23,044
Number of shares outstanding:		
Weighted average number of paid up shares	**57,750,000**	57,750,000
Weighted average number of treasury shares (Note 17)	**(1,316,700)**	(1,316,700)
Weighted average number of shares outstanding	**56,433,300**	56,433,300
Basie and diluted earnings per share (fils)	**4.7**	0.4

9 PROFITS FOR THE YEAR

	2015 *KD*	*2014* *KD*
Staff cost:		
Included in cost of revenues	**3,675,041**	3,743,209
Included in administrative expenses	**873,244**	958,526
	4,548,285	4,701,735
Inventories recognised as an expenses on sale of goods	**2,016,966**	2,576,239
Rent expenses- operating lease	**485,387**	426,132

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings KD	*Machinery, equipment and furniture KD*	*Improvements and decorations KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:						
At 1 January 2015	4,251,572	7,266,903	845,928	884,507	62,222	13,311,132
Additions	400	96,387	41,685	5,320	82,560	226,352
Transfers	-	20,450	42,766	-	(63,216)	-
Disposals	-	(8,661)	-	(20,156)	-	(28,817)
Write-off	-	-	(28,312)	-	-	(28,312)
At 31 December 2015	**4,251,972**	**7,375,079**	**902,067**	**869,671**	**81,566**	**13,480,355**
Depreciation:						
At 1 January 2015	763,742	6,522,047	687,683	836,042	-	8,809,514
Charge for the year	174,619	232,176	30,152	11,512	-	448,459
Relating to disposals	-	(7,850)	-	(20,156)	-	(28,006)
At 31 December 2015	**938,361**	**6,746,373**	**717,835**	**827,398**	**-**	**9,229,967**
Net carrying amount:						
At 31 December 2015	**3,313,611**	**628,706**	**184,232**	**42,273**	**81,566**	**4,250,388**

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings KD	*Machinery, equipment and furniture KD*	*Improvements and decorations KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:						
At 1 January 2014	4,251,572	7,169,631	828,428	969,957	36,645	13,256,233
Additions	-	85,742	-	-	61,607	147,349
Transfers	-	11,530	17,500	-	(29,030)	-
Disposals	-	-	-	(85,450)	-	(85,450)
Write-off	-	-	-	-	(7,000)	(7,000)
At 31 December 2014	4,251,572	7,266,903	845,928	884,507	62,222	13,311,132
Depreciation:						
At 1 January 2014	589,156	6,222,538	664,297	895,885	-	8,371,876
Charge for the year	174,586	299,509	23,386	25,607	-	523,088
Relating to disposals	-	-	-	(85,450)	-	(85,450)
At 31 December 2014	763,742	6,522,047	687,683	836,042	-	8,809,514
Net carrying amount:						
At 31 December 2014	3,487,830	744,856	158,245	48,465	62,222	4,501,618

Depreciation charge has been allocated in the consolidated income statement as follows:

	2015 KD	*2014 KD*
Cost of revenues	**151,005**	312,887
Administrative expenses	**297,454**	210,201
	448,459	523,088

11 INTANGIBLE ASSETS

	Land lease rights from government KD	*Key money KD*	*Trademark KD*	*Software licence KD*	*Lease rights from others KD*	*Total KD*
Cost:						
At 1 January 2015	314,000	1,194,658	29,035	19,695	39,008	1,596,396
Additions	-	117,250	-	-	-	117,250
Disposal	-	(20,000)	-	-	-	(20,000)
At 31 December 2015	**314,000**	**1,291,908**	**29,035**	**19,695**	**39,008**	**1,693,646**
Amortisation and impairment						
At 1 January 2015	-	324,220	-	19,695	21,782	365,697
Charge for the year	-	17,498	-	-	-	17,498
At 31 December 2015	**-**	**341,718**	**-**	**19,695**	**21,782**	**383,195**
Net book value:						
At 31 December 2015	**314,000**	**950,190**	**29,035**	**-**	**17,226**	**1,310,451**

	Land lease rights from government KD	*Key money KD*	*Trademark KD*	*Software licence KD*	*Lease rights from others KD*	*Total KD*
Cost:						
At 1 January 2014	314,000	1,137,658	29,035	19,695	39,008	1,539,396
Additions	-	57,000	-	-	-	57,000
At 31 December 2014	314,000	1,194,658	29,035	19,695	39,008	1,596,396
Amortisation and impairment:						
At 1 January 2014	-	288,833	-	19,695	21,595	330,123
Charge for the year	-	17,500	-	-	187	17,687
Impairment	-	17,887	-	-	-	17,887
At 31 December 2014	-	324,220	-	19,695	21,782	365,697
Net book value:						
At 31 December 2014	314,000	870,438	29,035	-	17,226	1,230,699

12 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2015 *KD*	*2014* *KD*
Managed portfolios	**35,789**	37,297
Unquoted equity seeurities	**92,514**	544,906
	128,303	582,203

The unquoted securities are private equity investments carried at eost whose fair value cannot be reliably determined due to the unpredictable nature of future cash flows. The management of the Group intends to hold these until an opportunity arises to dispose them at an attractive price. An impairment of Nil (2014: KD 49,868) was recognized in respect of certain financial assets available-for-sale, on which there has been a significant or prolonged decline in value.

Financial assets available-for-sale under managed portfolios are earried at fair value through other comprehensive income and are managed by a related party (Note 24).

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2015 *KD*	*2014* *KD*
Trade accounts receivable	**1,462,642**	1,523,802
Prepayments and other receivables	**958,218**	1,189,485
	2,420,860	2,713,287

At the reporting date, trade accounts reeeivable of gross value of KD 2,578,316 (2014: KD 3,096,969) were impaired on whieh KD 2,010,431 (2014: KD 2,423,450) provision for impairment is made. The movement in the provision for impairment of trade accounts reeeivable that are individually determined to be impaired is as follows:

	2015 *KD*	*2014* *KD*
At 1 January	**2,423,450**	2,430,838
Charge for the year	**130,356**	134,247
Written off	**(543,375)**	(141,635)
At 31 December	**2,010,431**	2,423,450

As at 31 December, the ageing analysis of trade accounts reeeivablc is as follows:

		Neither past due nor	*Past due but not impaired*		
	Total *KD*	*impaired* *KD*	*1-90 days* *KD*	*91-180 days* *KD*	*>180 days* *KD*
2015	**894,757**	**469,825**	**215,796**	**81,193**	**127,943**
2014	850,283	310,836	179,355	75,106	284,986

Unimpaired trade accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

14 CASH AND CASH EQUIVALENTS

	2015 *KD*	*2014* *KD*
Bank balanees and cash	**417,787**	1,559,744
Short-tenn deposits	**231,496**	701,797
	649,283	2,261,541

Short- term deposits are placed with a loeal bank in Kuwait. These deposits are denominated in KD and earn interest at 1.63% (2014: 1.63%) per annum. Short-term deposits are made for period of three months.

15 SHARE CAPITAL

	2015 *KD*	*2014* *KD*
Authorised, issued and fully paid up in eash: 57,750,000 (2014: 57,750,000) shares of 100 fils (2014: 100 fils) eaeh	**5,775,000**	5,775,000

16 RESERVES

(a) Statutory reserve

In accordanee with the Companies Law and the Parent Company's Memorandum of Ineorporation and Artieles of Association, 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS is transferred to the statutory reserve.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share eapital to be made in years when retained earnings are not suffieient for the payment of a dividend of that amount.

(b) Voluntary reserve

In aecordanee with the Parent Company's Memorandum of Ineorporation and Articles of Assoeiation, 10% of the profit attributable to the equity holders of the Parent Company for the year, before eontribution to KFAS is transferred to the voluntary reserve. There are no restrietions on distribution of voluntary reserve.

17 TREASURY SHARES

The Parent Company owns 1,316,700 shares (2014: 1,316,700 shares) of its own shares representing 2.28% (2014: 2.28%) of the paid-up capital. The market value of these shares at the reporting date was KD 263,340 (2014: KD 234,373).

Reserves of the Parent Company equivalent to the eost of purchase of the treasury shares have been earmarked as non-distributable in the Parent Company.

18 OTHER RESERVE

Other reserve represents the effeet of changes in ownership interest in subsidiaries without loss of eontrol.

19 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision reeognised in the eonsolidated statement of financial position is as follows:

	2015 *KD*	*2014* *KD*
At 1 January	**1,006,185**	1,097,258
Provided during the year	**185,547**	205,826
Payments during the year	**(156,734)**	(296,899)
At 31 December	**1,034,998**	1,006,185

20 ACCOUNTS PAYABLE AND ACCRUALS

	2015 *KD*	*2014* *KD*
Trade accounts payables	**913,155**	1,035,818
Unearned revenue	**354,982**	366,080
Aeeruals and other liabilities	**1,503,361**	1,438,684
Provision for loss on a legal case (see below)	-	2,716,023
Dividend payable	-	17,394
	2,771,498	5,573,999

During 2002, the SIHM cancelled one of its hotel management contraets with a hotel owner in Kuwait due to various reasons of interference by the hotel owner. The SIHM filed a case with a loeal eourt in Kuwait to elaim the outstanding balanees due from the hotel owner and eompensation for losses incurred by the SIHM due to cancellation of the eontract. The hotel owner also filed a eounter claim against the SIHM.

In June 2010, the Supreme Court ruled in favour of the hotel owner ordering the SIHM to pay KD 2,716,023 (the "elaim liability") as eompensation. Consequently, a provision for the claim liability was recorded in the ineome statement of SIHM in 2010.

As a result of the ruling of the Supreme Court in June 2010, the hotel owner filed a case in the Primary Court against SIHM to settle in Kuwait the claim liability immediately or otherwise liquidate SIHM to settle the elaim liability. Subsequently, the Primary Court ruled in favour of the hotel owner. SIHM appealed to Kuwait Appeal Court against the ruling of Primary Court. On 18 April 2013, the Kuwait Appeal Court ruled to temporarily stop the execution of the ruling of Primary Court and ordered deputy prosecutor to conduct an investigation and to submit its report on 7 June 2013. On 18 December 2013 ,Kuwait Appeal court ruled in favour of SIHM and eancel the initial decision of Primary Court. Since then, there has been no update on this case as of reporting date.

The Board of Directors of the Company have approvcd in Extra Ordinary General Meeting held on 8 December 2015 to settle the legal case. Accordingly, the Company and hotel owner entered into an agreement dated 28 December 2015 to settle the legal case outside the court whereby the Company paid KD 2,000,000 to the hotel owner from the existing provision and reversed the balanee provision of KD 716,023 to the consolidated ineome statement.

21 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on activities and services and has two reportable operating segments i.e. hotels and catering serviccs.

Management monitors the operating results of its business units separately for the purpose of making decisions about resourcc allocation and performance assessment. Segment performance is evaluated based on rcturn on investments. The Group does not have any inter-segment transactions.

21 SEGMENT INFORMATION (continued)

The following table presents segment revenue and results information regarding the Group's business segments:

	Hotels		*Catering services*		*Total*	
	2015 ***KD***	*2014* *KD*	***2015*** ***KD***	*2014* *KD*	***2015*** ***KD***	*2014* *KD*
Revenues	**609,279**	623,586	**7,237,651**	8,046,537	**7,846,930**	8,670,123
Management fees	**947,907**	1,054,427		-	**947,907**	1,054,427
Results						
Depreciation and amortization	**(257,185)**	(257,756)	**(228,772)**	(283,019)	**(485,957)**	(540,775)
Impairment of intangibles	-	-	-	17,886	-	17,886
Share of profit (loss) of an associate	**15,750**	(16,051)	-	-	**15,750**	(16,051)
Taxation	**(61,612)**	(21,591)	-	-	**(61,612)**	(21,591)
Segment profit (loss)	**515,074**	(56,901)	(307,983)	66,618	**207,091**	9,717
Assets	**5,052,083**	6,351,599	**4,776,214**	6,100,271	**9,828,297**	12,451,870
Liabilities	**1,757,639**	4,253,318	**2,048,857**	2,361,501	**3,806,496**	6,614,819
Other disclosures						
Investment in an associate	**78,481**	66,897		-	**78,481**	66,897
Additions to property, plant and equipment	**10,707**	18,234	**215,645**	129,115	**226,352**	147,349
Additions to intangible assets	-	-	**117,250**	57,000	**117,250**	57,000

Geographically, all assets of the Group are located in the Middle Eastern countries. All revenue from operations of the Group is from activities in the Middle Eastern countries.

22 COMMITMENTS

The Group has entered into commercial leases for certain premises and a property rented from the Government of Kuwait. These leases have an average life of between one and five years. There are no restrictions placed upon the Group be entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2015 ***KD***	*2014* *KD*
Within one year	**357,228**	329,960
After one year but not more than five years	**557,592**	576,150
	934,820	906,110

23 CONTINGENCIES

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 2,388,909 (2014: KD 2,004,427). It is anticipated that no material liabilities will arise.

24 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no balances and transactions with related parties included in the consolidated financial statements.

Financial assets available-for-sale of KD 35,789 (2014: KD 37,297) and financial assets at fair value through profit or loss of KD 71,400 (2014: KD 71,400) represents investment portfolio managed by a related party.

Key management compensation

	2015 *KD*	*2014* *KD*
Salaries and other employee benefits	**196,137**	217,176
End of service benefits	**16,053**	17,760
	212,190	234,936

25 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. The Group's policy is to monitor those business risks through the Group's strategic planning process.

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2015 and 2014.

25.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss. Financial assets subject to credit risk consist principally of cash and cash equivalents and accounts receivable.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of accounts receivables on an ongoing basis. The Group sells its products and services to a large number of customers including various governmental ministries. Its five largest customers account for 39% (2014: 40%) of outstanding trade accounts receivable at 31 December 2015. The maximum exposure is equal to the carrying amount stated in the consolidated statement of financial position.

The Group limits its credit risk with regard to bank balances and short term deposit by only dealing with reputable banks.

25.2 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 that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The Group limits its liquidity risk by ensuring funds from related parties and bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

25 RISK MANAGEMENT (continued)

25.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand *KD*	*Less than 3 months* *KD*	*3 – 12 months* *KD*	*Total* *KD*
2015				
Accounts payable and accruals (excluding unearned revenue)	**370,211**	**763,840**	**1,282,465**	**2,416,516**
Total liabilities	**370,211**	**763,840**	**1,282,465**	**2,416,516**

2014	*On demand* *KD*	*Less than 3 months* *KD*	*3 – 12 months* *KD*	*Total* *KD*
Accounts payable and accruals (excluding unearned revenue)	3,168,950	669,140	1,369,829	5,207,919
Tawarruq payable	-	37,707	-	37,707
Total liabilities	3,168,950	706,847	1,369,829	5,245,626

25.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk, currency risk, and equity price risk.

25.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is not significantly exposed to interest rate risk as it does not have any floating rate interest bearing assets or liabilities, short-term deposits (Note 14) carries a fixed rate interest and hence not exposed to interest rate risk.

25.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not significantly exposed to foreign eurrency risk as majority of its monetary assets and liabilities are denominated in the functional currency of the Group.

25.3.3 Equity price risk

Equity price risk is the risk that the fair values of equities deerease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk by focusing on the long term holding of equity assets, keeping its exposure at an acceptable level and by continuously monitoring the markets.

The effect of a change in the fair value of the equity instruments held as financial assets at fair value through profit or loss at the reporting date due to a reasonable possible change in the equity indices, with all other variables held as constant, is not significant. The Group also has unquoted financial assets available-for-sale carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated income statement will be impacted.

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 6,052,462 as at 31 December 2015 (2014: KD 5,807,465).

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of financial assets and liabilities are not materially different from their carrying values at the reporting date, except for unquoted financial assets available-for-sale whieh is carried at cost less impairment losses (Note 12).

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial assets 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 a significant effect on the recorded fair value are observable, either direetly or indirectly.
Level 3: techniques which use inputs whieh have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

	Level 3 and total KD
2015	
Financial assets available-for-sale	**35,789**
Finaneial assets at fair value through profit or loss	**71,400**
2014	
Financial assets available-for-sale	37,297
Financial assets at fair value through profit or loss	71,400

During the reporting period ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into Level 3 fair value measurements.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of fair value measurements of Level 3 financial instruments
A reconciliation of the beginning to the closing balance, disclosing the movements, is as follows:

Financial assets at fair value through profit or loss	***2015***	*2014*
	KD	*KD*
As at 1 January	**71,400**	97,439
Unrealized loss	**-**	(26,039)
At 31 December	**71,400**	71,400

Available-for- sale financial assets	***2015***	*2014*
	KD	*KD*
As at 1 January	37,297	41,164
Unrealized loss	**(1,508)**	(3,967)
At 31 December	**35,789**	37,297

28 ZAKAT

The Parent Company calculated the Zakat in accordance with the Ministry of Finance resolution No. 58/2007. As per law, income from associates and subsidiaries, cash dividends which are subjected to Zakat have been deducted from the profit for the year. Accordingly, there was no income base upon which the Zakat could be calculated for the year ended 31 December 2015.