

**SALHIA REAL ESTATE COMPANY
K.S.C.P. AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

31 MARCH 2015



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 31 March 2015 and the related interim condensed consolidated statements of income, comprehensive income, statement of changes in equity and cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As at 31 March 2015, the interim condensed consolidated financial information includes amounts in respect of an investment in a joint venture based on management accounts, as reviewed interim financial information is not available in respect of this joint venture. The carrying value of the joint venture included in the interim condensed consolidated financial position amounted to KD 15,550,275 as at 31 March 2015 (31 December 2014: KD 15,194,875 and 31 March 2014: KD 17,069,778) and the share of the joint venture's results net of tax for the three months period ended 31 March 2015 included in the interim condensed consolidated statement of income is a profit of KD 355,400 (31 March 2014: KD 17,608). We were unable to obtain sufficient appropriate audit evidence about the carrying value of the investment in joint venture. Consequently we were unable to determine whether any adjustment to this amount was necessary.

Qualified Conclusion

Based on our review, except for the matter described in the Basis of Qualified Conclusion in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended and its executive regulation, or of the Parent Company's Memorandum of Incorporation and Articles of Association that might have had a material effect on the business of the Parent Company or on its financial position during the three months period ended 31 March 2015.



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MEMBER OF BAKER TILLY
INTERNATIONAL

14 May 2015
Kuwait

Salhia Real Estate Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 31 March 2015

	<i>Three months ended</i>	
	<i>31 March</i>	
Note	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>
Revenues	11,266,477	11,435,651
Operating costs	(4,522,702)	(4,741,427)
Gross profit	6,743,775	6,694,224
Share of joint venture's results	355,400	17,608
General and administrative expenses	(1,322,456)	(1,295,428)
Depreciation	(1,347,131)	(1,563,731)
Sales and marketing expenses	(159,544)	(260,420)
Investment income	10,109	67,784
Foreign exchange (loss) gain	(280,688)	15,413
Interest income	11,486	80,223
Other income	21,212	175,764
Impairment loss on financial assets available for sale	-	(22,273)
Finance costs	(1,011,094)	(1,187,375)
Profit before tax	3,021,069	2,721,789
Taxation on overseas subsidiaries	(40,297)	(57,902)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	2,980,772	2,663,887
KFAS	(30,054)	(26,756)
NLST	(75,135)	(66,891)
Zakat	(30,054)	(26,756)
PROFIT FOR THE PERIOD	2,845,529	2,543,484
Attributable to:		
Equity holders of the Parent Company	2,870,162	2,555,234
Non-controlling interests	(24,633)	(11,750)
	2,845,529	2,543,484
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	3	
	5.8 fils	5.2 fils

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

Salhia Real Estate Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 31 March 2015

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	2,845,529	2,543,484
Other comprehensive income		
<i>Other comprehensive income (loss) to be reclassified to interim consolidated statement of income in subsequent periods:</i>		
Net movement in cumulative changes in fair value	91,670	16,438
Realised gain on sale of financial assets available for sale	-	(29,204)
Exchange differences arising on translation of foreign operations	(1,734,570)	(49,683)
Total other comprehensive loss for the period	(1,642,900)	(62,449)
Total comprehensive income for the period	1,202,629	2,481,035
Attributable to:		
Equity holders of the Parent Company	1,467,081	2,491,884
Non-controlling interests	(264,452)	(10,849)
	1,202,629	2,481,035

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

Salhia Real Estate Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2015

	Notes	31 March 2015 (Unaudited) KD	31 December 2014 (Audited) KD	31 March 2014 (Unaudited) KD
ASSETS				
Cash and cash equivalents	4	7,042,981	7,975,666	5,157,075
Fixed deposits		3,710,817	529,895	2,662,157
Inventories		337,319	349,110	361,656
Accounts receivable and other assets		6,177,879	6,489,549	7,422,892
Financial assets available for sale	5	10,506,291	10,100,742	11,263,223
Investment in a joint venture		15,550,275	15,194,875	17,069,778
Investment properties	6	148,367,371	146,454,079	142,966,279
Property and equipment		75,907,302	79,692,334	85,041,974
TOTAL ASSETS		267,600,235	266,786,250	271,945,034
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks	4	-	-	1,027,806
Accounts payable and other liabilities		18,612,246	19,261,898	17,066,187
Commercial financing	7	24,844,390	24,544,119	27,353,119
Islamic financing	7	81,581,066	81,583,334	80,812,500
TOTAL LIABILITIES		125,037,702	125,389,351	126,259,612
EQUITY				
Share capital	8	51,272,341	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	9	(4,326,732)	(4,289,737)	(3,943,348)
Treasury shares reserve	9	1,817,810	1,817,810	1,817,810
Statutory reserve		24,261,580	24,261,580	23,054,698
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		17,671,291	14,801,129	17,047,675
Fair value reserve		(312,734)	(404,404)	(1,757,305)
Foreign currency translation reserve		(5,869,954)	(4,375,203)	(330,731)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		140,058,055	138,627,969	142,705,593
Non-controlling interests		2,504,478	2,768,930	2,979,829
TOTAL EQUITY		142,562,533	141,396,899	145,685,422
TOTAL LIABILITIES AND EQUITY		267,600,235	266,786,250	271,945,034


Ghazi Fahad Alnafisi
Chairman

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

Salhia Real Estate Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2015

	Equity attributable to equity holders of the Parent Company										Non-controlling interests	Total equity
	Share capital KD	Share Premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Subtotal KD		
Balance at 1 January 2015 (Audited)	51,272,341	35,055,163	(4,289,737)	1,817,810	24,261,580	20,489,290	14,801,129	(404,404)	(4,375,203)	138,627,969	2,768,930	141,396,899
Profit for the period	-	-	-	-	-	-	2,870,162	-	-	2,870,162	(24,633)	2,845,529
Other comprehensive loss for the period	-	-	-	-	-	-	-	91,670	(1,494,751)	(1,403,081)	(239,819)	(1,642,900)
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	2,870,162	91,670	(1,494,751)	1,467,081	(264,452)	1,202,629
Purchase of treasury shares	-	-	(36,995)	-	-	-	-	-	-	(36,995)	-	(36,995)
Balance at 31 March 2015 (Unaudited)	51,272,341	35,055,163	(4,326,732)	1,817,810	24,261,580	20,489,290	17,671,291	(312,734)	(5,869,954)	140,058,055	2,504,478	142,562,533
Balance at 1 January 2014 (Audited)	51,272,341	35,055,163	(3,941,495)	1,817,810	23,054,698	20,489,290	14,492,441	(1,744,539)	(280,147)	140,215,562	2,990,678	143,206,240
Profit for the period	-	-	-	-	-	-	2,555,234	-	-	2,555,234	(11,750)	2,543,484
Other comprehensive (loss) / income for the period	-	-	-	-	-	-	-	(12,766)	(50,584)	(63,350)	901	(62,449)
Total comprehensive income / (loss) for the period	-	-	(1,853)	-	-	-	2,555,234	(12,766)	(50,584)	2,491,884	(10,849)	2,481,035
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(1,853)	-	(1,853)
Balance at 31 March 2014 (Unaudited)	51,272,341	35,055,163	(3,943,348)	1,817,810	23,054,698	20,489,290	17,047,675	(1,757,305)	(330,731)	142,705,593	2,979,829	145,685,422

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

Salhia Real Estate Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2015

	Notes	Three months ended 31 March	
		2015 (Unaudited) KD	2014 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		2,980,772	2,663,887
Adjustments for:			
Share in joint venture's results, net of tax		(355,400)	(17,608)
Depreciation		1,347,131	1,563,731
Provision for employees' end of service benefits		138,619	166,893
Investment income		(10,109)	(67,784)
Foreign exchange loss / (gain)		280,688	(15,413)
Interest income		(11,486)	(80,223)
Impairment loss on financial assets available for sale		-	22,273
Finance costs		1,011,094	1,187,375
		<u>5,381,309</u>	<u>5,423,131</u>
Change in operating assets and liabilities:			
Inventories		11,791	(33,417)
Accounts receivable and other assets		311,670	(518,340)
Accounts payable and other liabilities		(1,227,503)	(90,129)
Cash from operations		4,477,267	4,781,245
Employees' end of service benefits paid		(91,470)	(23,732)
KFAS paid		(110,359)	-
Net cash flows from operating activities		<u>4,275,438</u>	<u>4,757,513</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(559,825)	-
Proceeds from sale of financial assets available for sale		-	29,204
Additions to investment properties and property and equipment		(2,886,953)	(854,137)
Proceeds from sale of property and equipment		496	993
Investment income received		10,109	38,580
Interest income received		11,486	80,223
Change in fixed deposits		(3,180,922)	(4,193)
Net cash flows used in investing activities		<u>(6,605,609)</u>	<u>(709,330)</u>
FINANCING ACTIVITIES			
Bank loans received	7	3,435,200	30,197
Bank loans repaid	7	(989,625)	(6,161,250)
Finance costs paid		(1,011,094)	(1,071,881)
Purchase of treasury shares		(36,995)	(1,853)
Net cash flows from / (used in) financing activities		<u>1,397,486</u>	<u>(7,204,787)</u>
NET DECREASE IN CASH AND CASH EQUIVELENTS		<u>(932,685)</u>	<u>(3,156,604)</u>
Cash and cash equivalents at the beginning of the period		7,975,666	7,285,873
CASH AND CASH EQUIVELENTS AT THE END OF THE PERIOD	5	<u>7,042,981</u>	<u>4,129,269</u>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

At 31 March 2015

1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the three months period ended 31 March 2015 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 14 May 2015.

The Group comprises Salhia Real Estate Company K.S.C.P. and its subsidiaries.

The Parent Company is a public Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. It's registered office is located at Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Financial Reporting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2014, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 July 2014 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014. Furthermore, results for the three months period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2014.

Salhia Real Estate Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic:

Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

Diluted:

Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the period attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 31 March 2015.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>2,870,162</u>	<u>2,555,234</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>494,353,798</u>	<u>495,320,886</u>
Basic and diluted earnings per share	<u>5.8 fils</u>	<u>5.2 fils</u>

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following:

	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash and cash equivalents	7,042,981	7,975,666	5,157,075
Due to banks contractually due within three months	-	-	(1,027,806)
Cash and cash equivalents	<u>7,042,981</u>	<u>7,975,666</u>	<u>4,129,269</u>

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Managed quoted portfolios	2,477,166	2,071,617	2,501,202
Managed funds	98,316	98,316	443,141
Unquoted managed portfolio	94,812	94,812	482,651
Unquoted securities carried at cost less impairment	7,835,997	7,835,997	7,836,229
	<u>10,506,291</u>	<u>10,100,742</u>	<u>11,263,223</u>

Salhia Real Estate Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

5 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

	<i>31 March 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>31 March 2014 (Unaudited) KD</i>
Local investments	4,309,896	3,914,591	4,694,263
Foreign investments	6,196,395	6,186,151	6,568,960
	<u>10,506,291</u>	<u>10,100,742</u>	<u>11,263,223</u>

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (see Note 10), are not materially different from their carrying values.

6 INVESTMENT PROPERTIES

	<i>31 March 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>31 March 2014 (Unaudited) KD</i>
At 1 January	146,454,079	142,831,144	142,831,144
Additions	2,619,723	5,605,880	532,718
Depreciation	(439,428)	(1,757,710)	(439,428)
Foreign currency translation adjustment	(267,003)	(225,235)	41,845
	<u>148,367,371</u>	<u>146,454,079</u>	<u>142,966,279</u>

Investment properties with a carrying value of KD 4,898,246 (31 December 2014: KD 4,898,246 and 31 March 2014: KD 4,898,246) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of the properties.

7 COMMERCIAL AND ISLAMIC FINANCING

	<i>31 March 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>31 March 2014 (Unaudited) KD</i>
At 1 January	106,127,453	114,424,387	114,424,387
Loans received	3,435,200	-	30,197
Loans repaid	(989,625)	(5,986,761)	(6,161,250)
Foreign currency translation adjustment	(2,147,572)	(2,310,173)	(127,715)
	<u>106,425,456</u>	<u>106,127,453</u>	<u>108,165,619</u>
	<i>31 March 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>31 March 2014 (Unaudited) KD</i>
Local Islamic financing	81,581,066	81,583,334	80,812,500
Foreign commercial financing	24,844,390	24,544,119	27,353,119
	<u>106,425,456</u>	<u>106,127,453</u>	<u>108,165,619</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2015

7 COMMERCIAL AND ISLAMIC FINANCING (continued)

Commercial financing are repayable in periodic installments over variable periods of time with maturities extending to December 2030.

Commercial financing denominated in Kuwaiti Dinar carry variable interest rates, which range from 1.5% to 2% per annum (31 December 2014: 1.5% to 2% per annum and 31 March 2014: 1.5% to 1.75% per annum) over the Central Bank of Kuwait discount rate. The foreign currency financing carries variable interest rates which range from 1.5% to 2% per annum (31 December 2014: 1.5% to 2% and 31 March 2014: 1.5% to 2% per annum) over Euribor.

The average profit rate attributable to Islamic financing during the period is 1.5% per annum (31 December 2014: 1.5%, 31 March 2014: 1.75% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 48,583,333 (31 December 2014: KD 48,583,333, 31 March 2014: KD 53,000,000) has been obtained by a local subsidiary, which was acquired during 2011, and is secured by an investment property with a carrying value of KD 82,448,077 owned by the Group. Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default.

8 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 6 April 2015, the shareholders approved the distribution of cash dividends of 20 fils per share (2013: 20 fils per share) amounting to KD 9,884,056 for the year ended 31 December 2014 (2013: KD 9,906,468) for shareholders registered on that date.

As at 31 March 2015, the authorized, issued and paid up capital comprises of 512,723,413 shares at 100 fils per share each (31 December 2014: 512,723,413 shares and 31 March 2014: 512,723,413 shares) are fully paid in cash.

9 TREASURY SHARES

At 31 March 2015, the Parent Company held 18,445,602 of its own shares (31 December 2014: 18,344,547 and 31 March 2014: 17,405,000), equivalent to 3.6% (31 December 2014: 3.58% and 31 March 2014: 3.39%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 6,732,645 (31 December 2014: KD 6,787,482 and 31 March 2014: KD 6,700,925). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (see Note 5) are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Salhia Real Estate Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 March 2015 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,477,166	-	-	2,477,166
Managed funds	-	98,316	-	98,316
Unquoted securities	-	-	94,812	94,812
	<u>2,477,166</u>	<u>98,316</u>	<u>94,812</u>	<u>2,670,294</u>
31 December 2014 (Audited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,071,617	-	-	2,071,617
Managed funds	-	98,316	-	98,316
Unquoted securities	-	-	94,812	94,812
	<u>2,071,617</u>	<u>98,316</u>	<u>94,812</u>	<u>2,264,745</u>
31 March 2014 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,501,202	-	-	2,501,202
Managed funds	-	443,141	-	443,141
Unquoted securities	-	-	492,651	492,651
	<u>2,501,202</u>	<u>443,141</u>	<u>492,651</u>	<u>3,436,994</u>

During the period ended 31 March 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Salhia Real Estate Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2015

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the beginning and closing balances of the financial instruments classified in level 3 of the fair value hierarchy:

	<i>At 1 January 2015 KD</i>	<i>Income/(loss) recorded in the consolidated income statement KD</i>	<i>Gain/(loss) recorded in equity KD</i>	<i>Net purchases, (sales), transfers and settlements KD</i>	<i>At 31 March 2015 KD</i>
31 March 2015 (Unaudited)					
<i>Financial assets available for sale</i>					
Unquoted securities	94,812	-	-	-	94,812
	<i>At 1 January 2014 KD</i>	<i>Income/(loss) recorded in the consolidated income statement KD</i>	<i>Gain recorded in equity KD</i>	<i>Net purchases, (sales), transfers and settlements KD</i>	<i>At 31 December 2014 KD</i>
31 December 2014 (Audited)					
<i>Financial assets available for sale</i>					
Unquoted securities	492,651	-	-	(397,839)	94,812
	<i>At 1 January 2014 KD</i>	<i>Income/(loss) recorded in the consolidated income statement KD</i>	<i>Gain/(Loss) recorded in equity KD</i>	<i>Net purchases, (sales), transfers and settlements KD</i>	<i>At 31 March 2014 KD</i>
31 March 2014 (Unaudited)					
<i>Financial assets available for sale</i>					
Unquoted securities	492,651	-	-	-	492,651

11 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss as explained in the table below.

The Group has the following reportable segments:

- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through the JW Marriott Hotel – Kuwait, the Courtyard Marriott Hotel - Kuwait, and Arraya Ball Room - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

Sallhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2015

11 SEGMENTAL INFORMATION (continued)

The following table presents revenue and profit information regarding the Group's operating segments:

	Three months ended 31 March 2015 (Unaudited)				Three months ended 31 March 2014 (Unaudited)			
	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Segment revenues	4,204,483	3,632,602	3,429,392	11,266,477	3,988,779	3,516,919	3,929,953	11,435,651
Segment operating costs	(688,867)	(1,290,279)	(2,543,556)	(4,522,702)	(543,234)	(1,333,384)	(2,864,809)	(4,741,427)
Segment gross profit	3,515,616	2,342,323	885,836	6,743,775	3,445,545	2,183,535	1,065,144	6,694,224
Share in joint venture's results	355,400	-	-	355,400	17,608	-	-	17,608
Depreciation	(766,587)	(335,808)	(244,736)	(1,347,131)	(773,598)	(489,526)	(300,607)	(1,563,731)
Other operating expenses	(868,176)	(311,165)	(302,659)	(1,482,000)	(952,393)	(271,617)	(331,838)	(1,555,848)
Finance costs	(818,834)	(23,191)	(169,069)	(1,011,094)	(891,429)	(20,723)	(275,223)	(1,187,375)
Taxation on overseas subsidiaries	-	-	(40,297)	(40,297)	-	-	(57,902)	(57,902)
Segment results	1,417,419	1,672,159	129,075	3,218,653	845,733	1,401,669	99,574	2,346,976
Interest income				11,486				80,223
Investment income				10,109				67,784
Impairment loss on financial assets available for sale				-				(22,273)
Other non-operating (expense) / income				(259,476)				191,177
KFAS, NLST and Zakat				(135,243)				(120,403)
Profit for the period				2,845,529				2,543,484

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 At 31 March 2015

11 SEGMENTAL INFORMATION (continued)

The following table presents allocation of total assets, liabilities and capital expenditures regarding the Group's operating segments:

	31 March 2015 (Unaudited)				31 December 2014 (Audited)				31 March 2014 (Unaudited)			
	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Total assets	224,450,151	6,820,156	36,329,928	267,600,235	222,435,234	6,076,754	38,274,262	266,786,250	225,289,826	2,511,762	44,143,446	271,945,034
Total liabilities	99,300,362	2,967,789	22,769,551	125,037,702	97,545,281	2,715,410	25,128,660	125,389,351	95,473,686	2,511,762	28,274,164	126,259,612
Capital expenditure	2,856,973	-	29,980	2,886,953	6,555,571	-	229,046	6,784,617	797,743	-	56,389	854,132

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the financial position date, the Group had the following contingencies and capital commitments:

	<i>31 March 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>31 March 2014 (Unaudited) KD</i>
Letters of guarantee	15,980,145	17,952,146	16,761,566
Construction projects	17,952,146	18,626,861	17,872,578
	<u>33,932,291</u>	<u>36,579,007</u>	<u>34,634,144</u>

13 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, joint venture, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	<i>31 March 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>31 March 2014 (Unaudited) KD</i>
Staff receivables	57,513	80,542	276,177
Due from related parties	694,995	1,365,571	1,137,033

Compensation of key management personnel

The remuneration of key management personnel of the Group during the period was as follows:

	<i>31 March 2015 (Unaudited) KD</i>	<i>31 March 2014 (Unaudited) KD</i>
Short-term benefits	381,787	319,771
Employees' end of service benefits	26,794	24,759
	<u>408,581</u>	<u>344,530</u>