

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

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

30 JUNE 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 30 June 2015 and the related interim condensed consolidated statements of income and comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and cash flows for the six 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 30 June 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 15,819,093 as at 30 June 2015 (31 December 2014: KD 15,194,875 and 30 June 2014: KD 17,785,053) and the share of the joint venture's results net of tax for the three months and six months periods ended 30 June 2015 included in the interim condensed consolidated statement of income is a loss of KD 193,953 and a profit of KD 161,447 respectively (three months and six months periods ended 30 June 2014: profit of KD 331,817 and KD 349,425 respectively). 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.

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

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 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 regulations, 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 six months period ended 30 June 2015.



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



MOHAMMED HAMED AL
SULTAN
LICENCE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL

13 Aug 2015
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 30 June 2015

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenues	10,903,026	11,043,985	22,169,503	22,479,636
Operating costs	(4,739,711)	(4,974,131)	(9,262,413)	(9,715,558)
Gross profit	6,163,315	6,069,854	12,907,090	12,764,078
Share of joint venture's results, net of tax	(193,953)	331,817	161,447	349,425
General and administrative expenses	(918,780)	(1,322,094)	(2,241,236)	(2,617,522)
Depreciation	(1,343,069)	(1,501,177)	(2,690,200)	(3,064,908)
Sales and marketing expenses	(294,580)	(185,579)	(454,124)	(445,998)
Investment income	102,529	650,185	112,638	717,969
Foreign exchange (loss) / gain	(228,138)	103,407	(508,826)	118,820
Interest income	5,990	55,732	17,476	135,955
Other income	96,860	29,044	118,072	204,807
Reversal of impairment loss of investment properties	6	1,259,207	-	1,259,207
Impairment loss on financial assets available for sale	-	(244,043)	-	(266,316)
Finance costs	(223,948)	(1,041,786)	(1,235,042)	(2,229,161)
Profit before tax	4,425,433	2,945,360	7,446,502	5,667,149
Taxation on overseas subsidiaries	(37,424)	(55,363)	(77,721)	(113,265)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	4,388,009	2,889,997	7,368,781	5,553,884
KFAS	(44,026)	(28,754)	(74,080)	(55,510)
NLST	(110,064)	(71,884)	(185,199)	(138,775)
Zakat	(44,026)	(28,754)	(74,080)	(55,510)
PROFIT FOR THE PERIOD	4,189,893	2,760,605	7,035,422	5,304,089
Attributable to:				
Equity holders of the Parent Company	4,204,438	2,745,977	7,074,600	5,301,211
Non-controlling interests	(14,545)	14,628	(39,178)	2,878
	4,189,893	2,760,605	7,035,422	5,304,089
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	3	8.5 fils	5.5 fils	14.3 fils
		5.5 fils	14.3 fils	10.7 fils

The attached notes 1 to 14 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 30 June 2015

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	4,189,893	2,760,605	7,035,422	5,304,089
Other comprehensive income				
<i>Other comprehensive (loss) / income to be reclassified to interim consolidated statement of income in subsequent periods:</i>				
Net movement in cumulative changes in fair value of financial assets available for sale	(58,554)	(345,911)	33,116	(329,473)
Realised gain on sale of financial assets available for sale transferred to interim condensed consolidated statement of income	-	(569,918)	-	(599,122)
Impairment loss of financial assets available for sale transferred to interim condensed consolidated statement of income	-	237,983	-	237,983
Exchange differences arising on translation of foreign operations	2,197,892	279,376	463,322	229,693
Total other comprehensive income / (loss) for the period	2,139,338	(398,470)	496,438	(460,919)
Total comprehensive income for the period	6,329,231	2,362,135	7,531,860	4,843,170
Attributable to:				
Equity holders of the Parent Company	6,308,990	2,360,194	7,776,071	4,852,078
Non-controlling interests	20,241	1,941	(244,211)	(8,908)
	6,329,231	2,362,135	7,531,860	4,843,170

The attached notes 1 to 14 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 30 June 2015

	Notes	30 June 2015 (Unaudited) KD	31 December 2014 (Audited) KD	30 June 2014 (Unaudited) KD
ASSETS				
Cash and cash equivalents	4	4,195,237	7,975,666	6,294,022
Fixed deposits		3,722,548	529,895	2,724,171
Inventories		335,978	349,110	376,020
Accounts receivable and other assets		5,636,601	6,489,549	6,801,865
Financial assets available for sale	5	11,122,221	10,100,742	10,359,293
Investment in a joint venture		15,819,093	15,194,875	17,785,053
Investment properties	6	157,512,375	146,454,079	143,770,833
Property and equipment		76,586,448	79,692,334	83,964,736
TOTAL ASSETS		274,930,501	266,786,250	272,075,993
LIABILITIES AND EQUITY				
LIABILITIES				
Bank overdraft	4	1,413,518	-	-
Accounts payable and other liabilities		17,363,481	19,261,898	17,340,797
Commercial financing	7	27,200,931	24,544,119	26,986,665
Islamic financing	7	90,193,800	81,583,334	89,625,000
TOTAL LIABILITIES		136,171,730	125,389,351	133,952,462
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	(4,575,670)	(4,289,737)	(3,961,006)
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		11,991,674	14,801,129	9,887,284
Fair value reserve		(371,288)	(404,404)	(2,435,151)
Foreign currency translation reserve		(3,706,848)	(4,375,203)	(38,668)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		136,234,052	138,627,969	135,141,761
Non-controlling interests		2,524,719	2,768,930	2,981,770
TOTAL EQUITY		138,758,771	141,396,899	138,123,531
TOTAL LIABILITIES AND EQUITY		274,930,501	266,786,250	272,075,993


 Faisal Abdul Mohsin A. Khatrash
 Vice Chairman

The attached notes 1 to 14 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 30 June 2015

Equity attributable to equity holders of the Parent Company

	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	Non- controlling interests KD	Total equity 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 / (loss) for the period	-	-	-	-	-	-	7,074,600	-	-	7,074,600	(39,178)	7,035,422
Other comprehensive income / (loss) for the period	-	-	-	-	-	-	-	33,116	668,355	701,471	(205,033)	496,438
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	7,074,600	33,116	668,355	7,776,071	(244,211)	7,531,860
Purchase of treasury shares	-	-	(285,933)	-	-	-	-	-	-	(285,933)	-	(285,933)
Dividends (Note 8)	-	-	-	-	-	-	(9,884,055)	-	-	(9,884,055)	-	(9,884,055)
Balance at 30 June 2015 (Unaudited)	51,272,341	35,055,163	(4,575,670)	1,817,810	24,261,580	20,489,290	11,991,674	(371,288)	(3,706,848)	136,234,052	2,524,719	138,758,771
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	-	-	-	-	-	-	5,301,211	-	-	5,301,211	2,878	5,304,089
Other comprehensive (loss) / income for the period	-	-	-	-	-	-	-	(690,612)	241,479	(449,133)	(11,786)	(460,919)
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	5,301,211	(690,612)	241,479	4,852,078	(8,908)	4,843,170
Purchase of treasury shares	-	-	(19,511)	-	-	-	-	-	-	(19,511)	-	(19,511)
Dividends (Note 8)	-	-	-	-	-	-	(9,906,368)	-	-	(9,906,368)	-	(9,906,368)
Balance at 30 June 2014 (Unaudited)	51,272,341	35,055,163	(3,961,006)	1,817,810	23,054,698	20,489,290	9,887,284	(2,435,151)	(38,568)	135,141,761	2,981,770	138,123,531

The attached notes 1 to 14 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 30 June 2015

	Notes	Six months ended 30 June	
		2015 (Unaudited) KD	2014 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		7,368,781	5,553,884
Adjustments for:			
Share in joint venture's results, net of tax		(161,447)	(349,425)
Depreciation		2,690,200	3,064,908
Provision for employees' end of service benefits		199,320	296,616
Investment income		(112,638)	(717,969)
Foreign exchange loss / (gain)		508,826	(118,820)
Interest income		(17,476)	(135,955)
Finance costs		1,235,042	2,229,161
Reversal of impairment loss of investment properties		(1,259,207)	-
Impairment loss on financial assets available for sale		-	266,316
		<u>10,451,401</u>	<u>10,088,716</u>
Change in operating assets and liabilities:			
Inventories		13,132	(47,781)
Accounts receivable and other assets		852,948	102,687
Accounts payable and other liabilities		(2,128,854)	(509,120)
Cash from operations		<u>9,188,627</u>	<u>9,634,502</u>
Employees' end of service benefits paid		(38,039)	(68,860)
KFAS paid		(110,359)	-
Net cash flows from operating activities		<u>9,040,229</u>	<u>9,565,642</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(1,409,844)	-
Proceeds from sale of financial assets available for sale		33,331	1,057,202
Additions to investment properties		(10,183,605)	(1,630,428)
Additions to property and equipment		(540,910)	(494,763)
Proceeds from sale of property and equipment		1,600	2,405
Investment income received		112,638	118,847
Interest income received		17,476	135,955
Change in fixed deposits		(3,192,653)	(66,207)
Net cash flows used in investing activities		<u>(15,161,967)</u>	<u>(876,989)</u>
FINANCING ACTIVITIES			
Bank loans received	7	14,521,265	10,000,000
Bank loans repaid	7	(2,188,444)	(7,568,187)
Finance costs paid		(1,235,042)	(2,186,438)
Dividends paid		(9,884,055)	(9,906,368)
Purchase of treasury shares		(285,933)	(19,511)
Net cash flows from / (used in) financing activities		<u>927,791</u>	<u>(9,680,504)</u>
NET DECREASE IN CASH AND CASH EQUIVALANTS		<u>(5,193,947)</u>	<u>(991,851)</u>
Cash and cash equivalents at the beginning of the period		<u>7,975,666</u>	<u>7,285,873</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>2,781,719</u>	<u>6,294,022</u>

The attached notes 1 to 14 form an integral part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 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 six months period ended 30 June 2015 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 13 August 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 six months period ended 30 June 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 30 June 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 30 June 2015.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>4,204,438</u>	<u>2,745,977</u>	<u>7,074,600</u>	<u>5,301,211</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>493,769,700</u>	<u>495,317,555</u>	<u>494,039,441</u>	<u>495,316,646</u>
Basic and diluted earnings per share	<u>8.5 fils</u>	<u>5.5 fils</u>	<u>14.3 fils</u>	<u>10.7 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>30 June</i>	<i>31 December</i>	<i>30 June</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	<u>4,195,237</u>	<u>7,975,666</u>	<u>6,294,022</u>
Bank overdraft	<u>(1,413,518)</u>	<u>-</u>	<u>-</u>
	<u>2,781,719</u>	<u>7,975,666</u>	<u>6,294,022</u>

Bank overdraft is current in nature and payable on demand.

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i>	<i>31 December</i>	<i>30 June</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	<u>3,123,196</u>	<u>2,071,617</u>	<u>2,350,425</u>
Managed funds	<u>98,316</u>	<u>98,316</u>	<u>87,237</u>
Unquoted managed portfolio	<u>94,812</u>	<u>94,812</u>	<u>94,812</u>
Unquoted securities carried at cost less impairment	<u>7,805,897</u>	<u>7,835,997</u>	<u>7,826,819</u>
	<u>11,122,221</u>	<u>10,100,742</u>	<u>10,359,293</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

5 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

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

	30 June 2015 (Unaudited) KD	31 December 2014 (Audited) KD	30 June 2014 (Unaudited) KD
At 1 January	146,454,079	142,831,144	142,831,144
Additions	10,183,605	5,605,880	1,630,428
Depreciation	(878,854)	(1,757,710)	(878,855)
Reversal of impairment	1,259,207	-	-
Foreign currency translation adjustment	494,338	(225,235)	188,116
	<u>157,512,375</u>	<u>146,454,079</u>	<u>143,770,833</u>

Investment properties with a carrying value of KD 4,898,246 (31 December 2014: KD 9,023,123 and 30 June 2014: KD 9,023,123) 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.

During the six months period ended 30 June 2015, management has reassessed the fair value of an investment property that was carried previously at 31 December 2014 at an amount of KD 4,124,877, net of accumulated impairment taken in prior years amounting to KD 2,861,224. The fair valuation of the investment property has been determined based on a valuation obtained from an independent and specialised valuer, who has valued the investment property using the market comparison approach, which is adjusted for managements' estimate of country risk. This reassessment resulted in a reversal of previously recognised impairment loss of KD 1,259,207 in the interim condensed consolidated statement of income.

7 COMMERCIAL AND ISLAMIC FINANCING

	30 June 2015 (Unaudited) KD	31 December 2014 (Audited) KD	30 June 2014 (Unaudited) KD
At 1 January	106,127,453	114,424,387	114,424,387
Loans received	14,521,265	-	10,000,000
Loans repaid	(2,188,444)	(5,986,761)	(7,568,187)
Foreign currency translation adjustment	(1,065,543)	(2,310,173)	(244,535)
	<u>117,394,731</u>	<u>106,127,453</u>	<u>116,611,665</u>
	30 June 2015 (Unaudited) KD	31 December 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Local Islamic financing	90,193,800	81,583,334	89,625,000
Foreign commercial financing	27,200,931	24,544,119	26,986,665
	<u>117,394,731</u>	<u>106,127,453</u>	<u>116,611,665</u>

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7 COMMERCIAL AND ISLAMIC FINANCING (continued)

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

The foreign currency financing carries variable interest rates which range from 1% to 1.5% per annum (31 December 2014: 1.5% to 2% and 30 June 2014: 1.5% to 2% per annum) over Euribor.

The profit rate attributable to Islamic financing during the period is 1.5% per annum (31 December 2014: 1.5%, 30 June 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, 30 June 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 88,046,382 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 9,884,055 for the year ended 31 December 2014 (2013: KD 9,906,368) for shareholders registered on that date.

As at 30 June 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 30 June 2014: 512,723,413 shares) are fully paid in cash.

9 TREASURY SHARES

At 30 June 2015, the Parent Company held 19,152,877 of its own shares (31 December 2014: 18,344,547 and 30 June 2014: 17,453,697), equivalent to 3.74% (31 December 2014: 3.58% and 30 June 2014: 3.40%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 6,607,743 (31 December 2014: KD 6,787,482 and 30 June 2014: KD 6,457,868). 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

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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:

30 June 2015 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	3,123,196	-	-	3,123,196
Managed funds	-	98,316	-	98,316
Unquoted managed portfolio	-	-	94,812	94,812
	<u>3,123,196</u>	<u>98,316</u>	<u>94,812</u>	<u>3,316,324</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 managed portfolio	-	-	94,812	94,812
	<u>2,071,617</u>	<u>98,316</u>	<u>94,812</u>	<u>2,264,745</u>
30 June 2014 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,350,425	-	-	2,350,425
Managed funds	-	87,237	-	87,237
Unquoted managed portfolio	-	-	94,812	94,812
	<u>2,350,425</u>	<u>87,237</u>	<u>94,812</u>	<u>2,532,474</u>

During the period ended 30 June 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

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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 30 June 2015 KD</i>
30 June 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/(loss) 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 30 June 2014 KD</i>
30 June 2014 (Unaudited)					
<i>Financial assets available for sale</i>					
Unquoted securities	492,651	-	-	(397,839)	94,812

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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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11 SEGMENTAL INFORMATION (continued)

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

	Six months ended 30 June 2015 (Unaudited)			Six months ended 30 June 2014 (Unaudited)		
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD
Segment revenues	8,302,124	6,920,654	6,946,725	7,960,605	6,548,146	7,970,885
Segment operating costs	(1,495,154)	(2,569,338)	(5,197,921)	(1,327,240)	(2,584,533)	(5,803,785)
Segment gross profit	6,806,970	4,351,316	1,748,804	6,633,365	3,963,613	2,167,100
Share in joint venture's results	161,447	-	-	349,425	-	-
Depreciation	(1,521,350)	(675,097)	(493,753)	(1,531,600)	(930,215)	(603,093)
Other operating expenses	(1,518,754)	(574,102)	(602,504)	(1,917,364)	(479,651)	(666,505)
Reversal of impairment loss of investment properties	1,259,207	-	-	-	-	-
Finance costs	(852,337)	(44,410)	(338,295)	(1,640,930)	(40,763)	(547,468)
Taxation on overseas subsidiaries	-	-	(77,721)	-	-	(113,265)
Segment results	4,335,183	3,057,707	236,531	1,892,896	2,512,984	236,769
Interest income	-	-	-	-	-	-
Investment income	-	-	17,476	-	-	-
Impairment loss on financial assets available for sale	-	-	112,638	-	-	-
Other non-operating (expense) / income, net	-	-	(390,754)	-	-	-
KFAS, NLST and Zakat	-	-	(333,359)	-	-	-
Profit for the period	4,335,183	3,057,707	7,629,421	1,892,896	2,512,984	236,769
			17,476			135,955
			112,638			717,969
			(390,754)			(266,316)
			(333,359)			323,627
			7,035,422			(249,795)
						5,304,089

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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11 SEGMENTAL INFORMATION (continued)

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

	30 June 2015 (Unaudited)				31 December 2014 (Audited)				30 June 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	232,021,503	5,660,128	37,248,870	274,930,501	222,435,234	6,076,754	38,274,262	266,786,250	222,396,790	4,895,031	44,784,172	272,075,993
Total liabilities	110,028,304	2,580,171	23,563,255	136,171,730	97,545,281	2,715,410	25,128,660	125,389,351	103,570,634	2,517,480	27,864,348	133,952,462
Capital expenditure	10,634,869	-	89,646	10,724,515	6,555,571	-	229,046	6,784,617	1,695,042	-	438,398	2,133,440

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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>30 June 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>30 June 2014 (Unaudited) KD</i>
Letters of guarantee	17,952,146	17,952,146	16,761,566
Construction projects	13,852,494	18,626,861	17,872,578
	<u>31,804,640</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>30 June 2015 (Unaudited) KD</i>	<i>31 December 2014 (Audited) KD</i>	<i>30 June 2014 (Unaudited) KD</i>
Staff receivables	45,525	80,542	127,895
Due from related parties	453,687	1,365,571	-

Compensation of key management personnel

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>	<i>2015 (Unaudited)</i>	<i>2014 (Unaudited)</i>
Short-term benefits	246,655	264,029	628,442	583,800
Employees' end of service benefits	33,865	29,807	60,659	54,566
	<u>280,520</u>	<u>293,836</u>	<u>689,101</u>	<u>638,366</u>

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At 30 June 2015

14 SUBSIDIARIES

During the period ended 30 June 2015, the Group established the following foreign subsidiaries:

<i>Name of the company</i>	<i>Percentage of ownership</i>		<i>Country of incorporation</i>	<i>Principal activity</i>
	<i>30 June 2015</i>	<i>31 December 2014</i>		
<i>Directly held:</i>				
Salhia Real Estate Bahrain S.P.C	100%	-	Bahrain	Real estate
<i>Held through Bunyan Al-Salhia Project Management Company W.L.L.:</i>				
Souhera Real Estate L.L.C.	99.00%	-	Oman	Real Estate
Souhera Development L.L.C.	99.00%	-	Oman	Real Estate
Souhera International L.L.C.	99.00%	-	Oman	Real Estate
Waqyba Development L.L.C.	99.00%	-	Oman	Real Estate
Waqyba Real Estate L.L.C.	99.00%	-	Oman	Real Estate
Alhad Development L.L.C.	99.00%	-	Oman	Real Estate
Omq Real Estate L.L.C.	99.00%	-	Oman	Real Estate