

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

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

30 SEPTEMBER 2015



Building a better
working world

Ernst & Young
Al Alban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena



**BAKER TILLY
KUWAIT**

Audit, tax and consulting
P.O.Box 1486 Safat 13015
Kuwait

T: +965 1 88 77 99
F: +965 2 294 2651

info@bakertillykuwait.com
www.bakertillykuwait.com

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 September 2015, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine 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 IAS 34 "Interim Financial Reporting" ("IAS 34"). 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 September 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 16,045,518 as at 30 September 2015 (31 December 2014: KD 15,194,875 and 30 September 2014: KD 17,980,648) and the share of the joint venture's results net of tax for the three months and nine months periods ended 30 September 2015 included in the interim condensed consolidated statement of income KD 442,419 and KD 603,866 respectively (three months and nine months periods ended 30 September 2014: KD 642,741 and KD 992,166 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 nine months period ended 30 September 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

11 November 2015
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

Period ended 30 September 2015

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015	2014	2015	2014
		KD	KD	KD	KD
Revenues		9,597,609	10,397,157	31,767,112	32,876,793
Operating costs		(4,105,058)	(4,618,591)	(13,367,471)	(14,334,149)
Gross profit		5,492,551	5,778,566	18,399,641	18,542,644
Share of joint venture's results, net of tax		442,419	642,741	603,866	992,166
General and administrative expenses		(675,042)	(717,481)	(2,916,278)	(3,335,003)
Depreciation		(1,442,375)	(1,307,159)	(4,132,575)	(4,453,418)
Sales and marketing expenses		(148,846)	(168,064)	(602,970)	(614,062)
Investment income		20,571	48,168	133,209	766,137
Foreign exchange gain (loss)		18,640	2,328	(490,186)	121,148
Interest income		4,983	70,353	22,459	206,308
Other income		5,188	10,525	123,261	215,332
Reversal of impairment loss of investment properties	5	-	-	1,259,207	-
Impairment loss on financial assets available for sale		(844,240)	-	(844,240)	(266,316)
Finance costs		(784,523)	(1,219,864)	(2,019,565)	(3,367,674)
Profit before tax		2,089,326	3,140,113	9,535,829	8,807,262
Taxation on overseas subsidiaries		(30,179)	(113,885)	(107,900)	(227,150)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT		2,059,147	3,026,228	9,427,929	8,580,112
Provision for KFAS		(20,539)	(29,749)	(94,619)	(85,259)
Provision for NLST		(51,349)	(74,373)	(236,548)	(213,148)
Provision for Zakat		(20,539)	(29,749)	(94,619)	(85,259)
PROFIT FOR THE PERIOD		1,966,720	2,892,357	9,002,143	8,196,446
Attributable to:					
Equity holders of the Parent Company		1,961,534	2,841,039	9,036,135	8,142,250
Non-controlling interests		5,186	51,318	(33,992)	54,196
		1,966,720	2,892,357	9,002,143	8,196,446
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	4.0 fils	5.7 fils	18.3 fils	16.4 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 30 September 2015

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Profit for the period	1,966,720	2,892,357	9,002,143	8,196,446
Other comprehensive (loss):				
<i>Other comprehensive (loss) income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Net movement in cumulative changes in fair value of financial assets available for sale	(1,251,495)	437,198	(1,218,379)	107,725
Exchange differences arising on translation of foreign operations	(423,279)	(1,052,964)	40,043	(823,271)
<i>Other comprehensive (loss) income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>	<i>(1,674,774)</i>	<i>(615,766)</i>	<i>(1,178,336)</i>	<i>(715,546)</i>
Realised gain on sale of financial assets available for sale transferred to interim condensed consolidated statement of income	21,570	(19,222)	21,570	(618,344)
Impairment loss of financial assets available for sale transferred to interim condensed consolidated statement of income	844,240	-	844,240	237,983
Total other comprehensive loss for the period	(808,964)	(634,988)	(312,526)	(1,095,907)
Total comprehensive income for the period	1,157,756	2,257,369	8,689,617	7,100,539
Attributable to:				
Equity holders of the Parent Company	1,135,856	2,359,321	8,911,927	7,211,399
Non-controlling interests	21,900	(101,952)	(222,310)	(110,860)
	1,157,756	2,257,369	8,689,617	7,100,539

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)

As at 30 September 2015

		(Audited)		
	Notes	30 September 2015 KD	31 December 2014 KD	30 September 2014 KD
ASSETS				
Cash and cash equivalents		3,691,962	7,975,666	6,790,872
Fixed deposits		4,595,582	529,895	3,041,670
Inventories		346,801	349,110	387,658
Accounts receivable and other assets		5,498,296	6,489,549	5,845,579
Financial assets available for sale	4	10,285,186	10,100,742	10,756,668
Investment in a joint venture		16,045,518	15,194,875	17,980,648
Investment properties	5	158,242,210	146,454,079	144,442,351
Property and equipment		76,003,664	79,692,334	81,485,217
TOTAL ASSETS		274,709,219	266,786,250	270,730,663
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts payable and other liabilities		18,437,913	19,261,898	16,778,441
Commercial financing	6	32,342,465	24,544,119	25,420,412
Islamic financing	6	84,130,413	81,583,334	88,187,500
TOTAL LIABILITIES		134,910,791	125,389,351	130,386,353
EQUITY				
Share capital	7	51,272,341	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	8	(4,693,769)	(4,289,737)	(3,997,496)
Treasury shares reserve	8	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		13,953,208	14,801,129	12,728,223
Fair value reserve		(756,973)	(404,404)	(2,017,175)
Foreign currency translation reserve		(4,146,842)	(4,375,203)	(938,362)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		137,251,808	138,627,969	137,464,492
Non-controlling interests		2,546,620	2,768,930	2,879,818
TOTAL EQUITY		139,798,428	141,396,899	140,344,310
TOTAL LIABILITIES AND EQUITY		274,709,219	266,786,250	270,730,663

Ghazi Fahad Alnafisi
Chairman

Faisal Abdul Mohsen Al-Khatrash
Vice 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 30 September 2015

	Equity attributable to equity holders of the Parent Company										Total equity KD	
	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
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	-	-	-	-	-	-	9,036,135	-	-	9,036,135	(33,992)	9,002,143
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	(352,569)	228,361	(124,208)	(188,318)	(312,526)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	9,036,135	(352,569)	228,361	8,911,927	(222,310)	8,689,617
Purchase of treasury shares	-	-	(404,032)	-	-	-	-	-	-	(404,032)	-	(404,032)
Dividends (Note 7)	-	-	-	-	-	-	(9,884,056)	-	-	(9,884,056)	-	(9,884,056)
Balance at 30 September 2015 (Unaudited)	51,272,341	35,055,163	(4,693,769)	1,817,810	24,261,580	20,489,290	13,953,208	(756,973)	(4,146,842)	137,251,808	2,546,620	139,798,428
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	-	-	-	-	-	-	8,142,250	-	-	8,142,250	54,196	8,196,446
Other comprehensive loss	-	-	-	-	-	-	-	(272,636)	(658,215)	(930,851)	(165,056)	(1,095,907)
Total comprehensive income (loss)	-	-	-	-	-	-	8,142,250	(272,636)	(658,215)	7,211,399	(110,860)	7,100,539
Purchase of treasury shares	-	-	(56,001)	-	-	-	-	-	-	(56,001)	-	(56,001)
Dividends (Note 7)	-	-	-	-	-	-	(9,906,468)	-	-	(9,906,468)	-	(9,906,468)
Balance at 30 September 2014 (Unaudited)	51,272,341	35,055,163	(3,997,496)	1,817,810	23,054,698	20,489,290	12,728,223	(2,017,175)	(938,362)	137,464,492	2,879,818	140,344,310

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 30 September 2015

	Notes	Nine months ended 30 September	
		2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		9,427,929	8,580,112
Adjustments to reconcile profit for the period before provision for contribution to KFAS, NLST and Zakat for the period to net cash flows:			
Share in joint venture's results, net of tax		(603,866)	(992,167)
Provision for employees' end of service benefits		481,360	420,558
Depreciation		4,132,575	4,453,418
Investment income		(133,209)	(766,317)
Foreign exchange gain		490,186	(121,148)
Interest income		(22,459)	(206,308)
Reversal of impairment loss of investment properties	5	(1,259,207)	-
Impairment loss on financial assets available for sale		844,240	266,316
Finance costs		2,019,565	3,367,674
		<u>15,377,114</u>	<u>15,002,138</u>
Change in operating assets and liabilities:			
Inventories		2,309	(59,419)
Accounts receivable and other assets		991,253	1,058,973
Accounts payable and other liabilities		587,895	(1,110,176)
Cash from operations		<u>16,958,571</u>	<u>14,891,516</u>
Employees' end of service benefits paid		(263,682)	(130,085)
KFAS paid		(110,359)	-
NLST paid		(306,106)	-
Zakat paid		(122,656)	-
Net cash flows from operating activities		<u>16,155,768</u>	<u>14,761,431</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(1,820,896)	-
Proceeds from sale of financial assets available for sale		33,331	1,069,880
Additions to investment properties	5	(13,421,027)	(3,838,203)
Additions to property and equipment		(745,174)	-
Proceeds from sale of property and equipment		1,558	-
Investment income received		133,209	147,973
Interest income received		22,459	206,308
Term deposits		(4,065,687)	(383,706)
Net cash flows used in investing activities		<u>(19,862,227)</u>	<u>(2,797,748)</u>
FINANCING ACTIVITIES			
Bank loans received	6	15,078,347	10,000,000
Bank loans repaid	6	(3,650,666)	(9,194,894)
Finance costs paid		(1,716,838)	(3,301,321)
Dividends paid	7	(9,884,056)	(9,906,468)
Purchase of treasury shares		(404,032)	(56,001)
Net cash flows used in financing activities		<u>(577,245)</u>	<u>(12,458,684)</u>
NET DECREASE IN CASH AND CASH EQUIVALANTS		<u>(4,283,704)</u>	<u>(495,001)</u>
Cash and cash equivalents at the beginning of the period		7,975,666	7,285,873
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>3,691,962</u>	<u>6,790,872</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

(UNAUDITED)

As at 30 September 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 nine months period ended 30 September 2015 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 11 November 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 for the nine months ended 30 September 2015 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 nine months period ended 30 September 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.

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 September 2015.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>1,961,534</u>	<u>2,841,039</u>	<u>9,036,135</u>	<u>8,142,250</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>493,697,424</u>	<u>495,294,802</u>	<u>493,817,242</u>	<u>495,298,712</u>
Basic and diluted earnings per share	<u>4.0 fils</u>	<u>5.7 fils</u>	<u>18.3 fils</u>	<u>16.4 fils</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

(UNAUDITED)

As at 30 September 2015

4 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September</i> <i>2015</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2014</i> <i>KD</i>	<i>30 September</i> <i>2014</i> <i>KD</i>
Managed quoted portfolios	2,286,162	2,071,617	2,747,800
Managed funds	98,316	98,316	87,237
Unquoted managed portfolio	94,812	94,812	91,314
Unquoted securities carried at cost less impairment	7,805,896	7,835,997	7,830,317
	<u>10,285,186</u>	<u>10,100,742</u>	<u>10,756,668</u>

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost less impairment (Note 9), are not materially different from their carrying values.

An impairment loss of KD 844,240 (30 September 2014: KD 266,316) has been made against investments classified as available for sale on which there has been a significant or prolonged decline in value.

5 INVESTMENT PROPERTIES

	<i>30 September</i> <i>2015</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2014</i> <i>KD</i>	<i>30 September</i> <i>2014</i> <i>KD</i>
At 1 January	146,454,079	142,831,144	142,831,144
Additions	13,421,027	5,605,880	2,904,836
Depreciation	(1,318,281)	(1,757,710)	(1,318,282)
Reversal of impairment	1,259,207	-	-
Foreign currency translation adjustment	(1,573,822)	(225,235)	24,653
	<u>158,242,210</u>	<u>146,454,079</u>	<u>144,442,351</u>

Investment properties with a carrying value of KD Nil (31 December 2014: KD 4,898,246 and 30 September 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. During the current period the title deeds of the investment properties that were registered under the name of nominees have been transferred to subsidiaries.

During the nine months period ended 30 September 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.

6 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 September</i> <i>2015</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2014</i> <i>KD</i>	<i>30 September</i> <i>2014</i> <i>KD</i>
At 1 January	106,127,453	114,424,387	114,424,387
Loans received	15,078,347	-	10,000,000
Loans repaid	(3,650,666)	(5,986,761)	(9,194,894)
Foreign currency translation adjustment	(1,082,256)	(2,310,173)	(1,621,581)
	<u>116,472,878</u>	<u>106,127,453</u>	<u>113,607,912</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 September 2015

6 COMMERCIAL AND ISLAMIC FINANCING (continued)

	<i>30 September 2015 KD</i>	<i>(Audited) 31 December 2014 KD</i>	<i>30 September 2014 KD</i>
Foreign - Commercial financing	32,342,465	24,544,119	25,420,412
Local - Islamic financing	84,130,413	81,583,334	88,187,500
	<u>116,472,878</u>	<u>106,127,453</u>	<u>113,607,912</u>

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 September 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 September 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 September 2014: KD 53,000,000) has been obtained by a local subsidiary, which was acquired during 2011, and is secured by land with a carrying value of KD 71,794,141 owned by the Group. Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default.

7 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 30 September 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 September 2014: 512,723,413 shares) are fully paid in cash.

8 TREASURY SHARES

At 30 September 2015, the Parent Company held 19,510,449 of its own shares (31 December 2014: 18,344,547 and 30 September 2014: 17,552,857), equivalent to 3.81% (31 December 2014: 3.58% and 30 September 2014: 3.42%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 6,145,791 (31 December 2014: KD 6,787,482 and 30 September 2014: KD 6,582,321). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

9 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 less impairment (Note 4) are not materially different from their carrying values.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 September 2015

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

30 September 2015	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	2,286,162	-	-	2,286,162
Managed funds	-	98,316	-	98,316
Unquoted managed portfolio	-	-	94,812	94,812
	<u>2,286,162</u>	<u>98,316</u>	<u>94,812</u>	<u>2,479,290</u>
31 December 2014	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
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 September 2014	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	2,747,800	-	-	2,747,800
Managed funds	-	87,237	-	87,237
Unquoted managed portfolio	-	-	91,314	91,314
	<u>2,747,800</u>	<u>87,237</u>	<u>91,314</u>	<u>2,926,351</u>

During the period ended 30 September 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 CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 September 2015

9 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 interim condensed consolidated statement of income KD</i>	<i>Gain/(loss) recorded in interim condensed consolidated statement of changes in equity KD</i>	<i>Net purchases, (sales), transfers and settlements KD</i>	<i>At 30 September 2015 KD</i>
<i>Financial assets available for sale</i>					
Unquoted managed portfolio	94,812	-	-	-	94,812
		<i>Income/(loss) recorded in the consolidated statement of income KD</i>	<i>Gain/(loss) recorded in consolidated statement of changes in equity KD</i>	<i>Net purchases, (sales), transfers and settlements KD</i>	<i>At 31 December 2014 KD</i>
31 December 2014 (Audited)	492,651	-	-	(397,839)	94,812
<i>Financial assets available for sale</i>					
Unquoted managed portfolio	492,651	-	-	(401,337)	91,314
		<i>Income/(loss) recorded in the interim condensed consolidated statement of income KD</i>	<i>Gain/(loss) recorded in interim condensed consolidated statement of changes in equity KD</i>	<i>Net purchases, (sales), transfers and settlements KD</i>	<i>At 30 September 2014 KD</i>
30 September 2014	492,651	-	-	(401,337)	91,314

During the period, there have been no transfers between hierarchies.

Description of significant unobservable inputs to valuation of financial assets:

Foreign hedge funds, foreign equity security and private equity funds are valued based on net asset value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued.

Derivative assets and liabilities are value based on a broker's quotes. The management considers the broker quotes as a fair indication of the fair value of these financial instruments.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 September 2015

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets: (continued)

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.

10 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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2015

10 SEGMENTAL INFORMATION (continued)

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

	Nine months ended 30 September 2015			Nine months ended 30 September 2014			
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Segment revenues	12,360,435	8,968,187	10,438,490	12,275,213	8,749,327	11,852,253	32,876,793
Segment operating costs	(1,917,929)	(3,550,026)	(7,899,516)	(2,144,596)	(3,624,274)	(8,565,279)	(14,334,149)
Segment gross profit	10,442,506	5,418,161	2,538,974	10,130,617	5,125,053	3,286,974	18,542,644
Share in joint venture's results, net of tax	603,866	-	-	992,166	-	-	992,166
Depreciation	(2,373,256)	(1,016,184)	(743,135)	(2,351,168)	(1,294,283)	(807,967)	(4,453,418)
Other operating expenses	(1,881,759)	(697,327)	(940,162)	(2,311,834)	(647,958)	(989,272)	(3,949,064)
Reversal of impairment loss of investment properties	1,259,207	-	-	-	-	-	-
Finance costs	(1,455,808)	(58,497)	(505,260)	(2,423,884)	(54,472)	(889,318)	(3,367,674)
Foreign tax	-	-	(107,900)	-	-	(227,151)	(227,151)
Segment results	6,594,756	3,646,153	242,717	4,035,897	3,128,340	373,266	7,537,503
Interest income							206,308
Investment income							766,137
Impairment loss on financial assets available for sale							(266,316)
Other non-operating (expense) / income, net							336,480
KFAS, NLSI and Zakat							(383,666)
Profit for the period			9,002,143				8,196,446

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

(UNAUDITED)

As at 30 September 2015

11 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2015</i>	<i>31 December</i>	<i>2014</i>
	<i>KD</i>	<i>2014</i>	<i>2014</i>
		<i>KD</i>	<i>KD</i>
Letters of guarantee	1,784,756	17,952,146	16,761,566
Construction projects	13,451,795	18,626,861	14,565,878
	<u>15,236,551</u>	<u>36,579,007</u>	<u>31,327,444</u>

12 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.

During the period there were no transaction with related parties included in the interim condensed consolidated statement of income

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

	<i>Parent</i>		<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>Company</i>	<i>Subsidiaries</i>	<i>2015</i>	<i>31 December</i>	<i>2014</i>
			<i>KD</i>	<i>2014</i>	<i>2014</i>
				<i>KD</i>	<i>KD</i>
Staff receivables	39,044	-	39,044	80,542	102,162
Due from related parties	-	559,020	559,020	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</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Short-term benefits	30,735	177,814	460,964	563,401
Employees' end of service benefits	27,850	23,334	88,509	77,900
	<u>58,585</u>	<u>201,148</u>	<u>549,473</u>	<u>641,301</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2015

13 SUBSIDIARIES

During the period ended 30 September 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 September 2015</i>	<i>31 December 2014</i>		
<i>Directly held:</i>				
Salhia Real Estate Bahrain S.P.C	100%	-	Kingdom of Bahrain	Real estate
<i>Held through Bunyan Al-Salhia Project Management Company W.L.L.:</i>				
Souhera Real Estate L.L.C.	99.00%	-	Sultanate of Oman	Real Estate
Souhera Development L.L.C.	99.00%	-	Sultanate of Oman	Real Estate
Souhera International L.L.C.	99.00%	-	Sultanate of Oman	Real Estate
Waqyba Development L.L.C.	99.00%	-	Sultanate of Oman	Real Estate
Waqyba Real Estate L.L.C.	99.00%	-	Sultanate of Oman	Real Estate
Alhad Development L.L.C.	99.00%	-	Sultanate of Oman	Real Estate
Omq Real Estate L.L.C.	99.00%	-	Sultanate of Oman	Real Estate