

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

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

30 JUNE 2016



Ernst & Young
Al Aiban, 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 2294 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.

Report on the Interim Condensed Consolidated Financial Information

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 2016 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six 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 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 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 June 2016, 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 9,162,546 as at 30 June 2016 (31 December 2015: KD 14,494,630 and 30 June 2015: KD 15,819,093) and the share of the joint venture's results net of tax for the six months period ended 30 June 2016 included in the interim condensed consolidated statement of income is a profit of KD 467,468 (30 June 2015: KD 161,447). 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 account 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. 1 of 2016, and its executive regulations, or of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the six months period ended 30 June 2016 that might have had a material effect on the business of the Parent Company or on its financial position.



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



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

10 August 2016
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 June 2016

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 KD	2015 KD	2016 KD	2015 KD
Revenue		11,077,928	10,903,026	22,426,373	22,169,503
Operating costs		(4,574,401)	(4,479,260)	(9,464,866)	(8,736,824)
Gross profit		6,503,527	6,423,766	12,961,507	13,432,679
Share of joint venture's results, net of tax		32,067	(193,953)	467,468	161,447
General and administrative expenses		(1,188,949)	(1,179,231)	(2,803,385)	(2,766,825)
Depreciation		(1,491,266)	(1,343,069)	(2,834,593)	(2,690,200)
Sales and marketing expenses		(182,057)	(294,580)	(373,451)	(454,124)
Investment income		28,835	102,529	73,066	112,638
Foreign exchange loss		(24,534)	(228,138)	(33,008)	(508,826)
Interest income		6,690	5,990	17,525	17,476
Other income, net		50,161	96,860	106,996	118,072
Reversal of impairment loss of investment properties	6	-	1,259,207	-	1,259,207
Impairment loss on financial assets available for sale	5	(328,478)	-	(407,518)	-
Finance costs		(683,407)	(223,948)	(1,219,484)	(1,235,042)
Profit before tax		2,722,589	4,425,433	5,955,123	7,446,502
Taxation on overseas subsidiaries		(38,129)	(37,424)	(79,223)	(77,721)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT		2,684,460	4,388,009	5,875,900	7,368,781
KFAS		(27,183)	(44,026)	(59,474)	(74,080)
NLST		(67,956)	(110,064)	(148,684)	(185,199)
Zakat		(27,183)	(44,026)	(59,474)	(74,080)
PROFIT FOR THE PERIOD		2,562,138	4,189,893	5,608,268	7,035,422
Attributable to:					
Equity holders of the Parent Company		2,595,935	4,204,438	5,679,741	7,074,600
Non-controlling interests		(33,797)	(14,545)	(71,473)	(39,178)
		2,562,138	4,189,893	5,608,268	7,035,422
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	5.3 fils	8.5 fils	11.5 fils	14.3 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)

For the period ended 30 June 2016

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	2,562,138	4,189,893	5,608,268	7,035,422
Other comprehensive (loss) income:				
<i>Items of other comprehensive (loss) income that are or may be reclassified to the interim condensed consolidated statement of income in the subsequent period:</i>				
Net movement in cumulative changes in fair value of financial assets available for sale	604,364	(58,554)	1,073,299	33,116
Exchange differences arising on translation of foreign operations	(2,784,846)	2,197,892	(3,652,549)	463,322
Total other comprehensive (loss) income for the period	(2,180,482)	2,139,338	(2,579,250)	496,438
Total comprehensive income for the period	381,656	6,329,231	3,029,018	7,531,860
Attributable to:				
Equity holders of the Parent Company	480,314	6,308,990	3,093,452	7,776,071
Non-controlling interests	(98,658)	20,241	(64,434)	(244,211)
	381,656	6,329,231	3,029,018	7,531,860

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 June 2016

		<i>(Audited)</i>	
	<i>Notes</i>	<i>30 June 2016 KD</i>	<i>31 December 2015 KD</i>
		<i>30 June 2015 KD</i>	
ASSETS			
Cash and cash equivalents	4	5,688,755	7,688,185
Fixed deposits		2,630,204	1,396,951
Inventories		330,013	334,748
Accounts receivable and other assets		7,361,593	6,092,211
Financial assets available for sale	5	9,218,364	8,702,681
Interest in a joint venture		9,162,546	14,494,630
Investment properties	6	160,805,580	157,085,671
Property and equipment		73,662,886	74,369,372
TOTAL ASSETS		268,859,941	270,164,449
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutions	4	924,086	-
Accounts payable and other liabilities		16,672,161	16,246,053
Commercial financing	7	36,266,326	33,167,987
Islamic financing	7	77,339,071	76,192,005
TOTAL LIABILITIES		131,201,644	125,606,045
EQUITY			
Share capital	8	51,272,341	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	9	(4,783,820)	(4,713,364)
Treasury shares reserve	9	1,817,810	1,817,810
Statutory reserve		25,488,723	25,488,723
Voluntary reserve		20,489,290	20,489,290
Retained earnings		11,137,304	15,316,232
Fair value reserve		1,101,310	28,011
Foreign currency translation reserve		(6,340,053)	(2,680,465)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		135,238,068	142,073,741
Non-controlling interests		2,420,229	2,484,663
TOTAL EQUITY		137,658,297	144,558,404
TOTAL LIABILITIES AND EQUITY		268,859,941	270,164,449


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)

For the period ended 30 June 2016

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 as at 1 January 2016 (Audited)	51,272,341	35,055,163	(4,713,364)	1,817,810	25,488,723	20,489,290	15,316,232	28,011	(2,680,465)	142,073,741	2,484,663	144,558,404
Profit (loss) for the period	-	-	-	-	-	5,679,741	-	-	-	5,679,741	(71,473)	5,608,268
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	1,073,299	(3,659,588)	(2,586,289)	7,039	(2,579,250)
Total comprehensive income (loss) for the period	-	-	-	-	-	5,679,741	-	1,073,299	(3,659,588)	3,093,452	(64,434)	3,029,018
Purchase of treasury shares	-	-	(70,456)	-	-	-	-	-	-	(70,456)	-	(70,456)
Dividends (Note 8)	-	-	-	-	-	(9,858,669)	-	-	-	(9,858,669)	-	(9,858,669)
Balance as at 30 June 2016 (Unaudited)	51,272,341	35,055,163	(4,783,820)	1,817,810	25,488,723	20,489,290	11,137,304	1,101,310	(6,340,053)	135,238,068	2,420,229	137,658,297
Balance as 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 as 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

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)

For the period ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		5,875,900	7,368,781
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		(467,468)	(161,447)
Provision for employees' end of service benefits		314,841	199,320
Depreciation		2,834,593	2,690,200
Investment income		(73,066)	(112,638)
Foreign exchange loss		33,008	508,826
Interest income		(17,525)	(17,476)
Gain from sale of property and equipment		(24,277)	-
Reversal of impairment loss of investment properties	6	-	(1,259,207)
Impairment loss on financial assets available for sale	5	407,518	-
Finance costs		1,219,484	1,235,042
		10,103,008	10,451,401
Change in operating assets and liabilities:			
Inventories		4,735	13,132
Accounts receivable and other assets		(1,269,382)	852,948
Accounts payable and other liabilities		531,403	(2,128,854)
Cash from operations		9,369,764	9,188,627
Employees' end of service benefits paid		(41,314)	(38,039)
KFAS paid		(109,879)	(110,359)
NLST paid		(126,503)	-
Zakat paid		(316,257)	-
Net cash flows from operating activities		8,775,811	9,040,229
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		-	(1,409,844)
Proceeds from redemption of financial assets available for sale		150,653	33,331
Additions to investment properties		(5,871,384)	(10,183,605)
Additions to property and equipment		(851,603)	(540,910)
Proceeds from sale of property and equipment		39,664	1,600
Investment income received		73,066	112,638
Dividends received		2,604,009	-
Interest income received		17,525	17,476
Fixed deposits		(1,233,253)	(3,192,653)
Net cash flows used in investing activities		(5,071,323)	(15,161,967)
FINANCING ACTIVITIES			
Bank loans received	7	8,030,400	14,521,265
Bank loans repaid	7	(3,463,748)	(2,188,444)
Finance costs paid		(1,219,484)	(1,235,042)
Dividends paid		(9,904,716)	(9,884,055)
Purchase of treasury shares		(70,456)	(285,933)
Net cash flows (used in) from financing activities		(6,628,004)	927,791
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,923,516)	(5,193,947)
Cash and cash equivalents at the beginning of the period		7,688,185	7,975,666
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	4,764,669	2,781,719

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 CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

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 2016 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 10 August 2016.

On 21 March 2016, the ordinary general assembly of the shareholders of the Parent Company approved the consolidated financial statements of the Group for the year ended 31 December 2015 and approved Board of Director's proposal for distributing dividends to the shareholders.

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.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016, which cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016, which cancelled the Executive Regulations of Law No. 25 of 2012.

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2016 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 2015, 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 January 2016 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 2015. Furthermore, results for the six months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 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 2016.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>2,595,935</u>	<u>4,204,438</u>	<u>5,679,741</u>	<u>7,074,600</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>492,788,382</u>	<u>493,769,700</u>	<u>492,968,153</u>	<u>494,039,441</u>
Basic and diluted earnings per share	<u>5.3 fils</u>	<u>8.5 fils</u>	<u>11.5 fils</u>	<u>14.3 fils</u>

4 CASH AND CASH EQUIVALENTS

	30 June 2016 KD	(Audited) 31 December 2015 KD	30 June 2015 KD
Cash and cash equivalents	5,688,755	7,688,185	4,195,237
Less: Due to banks and financial institutions	(924,086)	-	(1,413,518)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u>4,764,669</u>	<u>7,688,185</u>	<u>2,781,719</u>

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	30 June 2016 KD	(Audited) 31 December 2015 KD	30 June 2015 KD
Managed quoted portfolios	2,362,999	1,309,912	3,123,196
Managed unquoted portfolio	94,812	94,812	94,812
Managed funds	-	-	98,316
Unquoted equity securities	6,760,553	7,297,957	7,805,897
	<u>9,218,364</u>	<u>8,702,681</u>	<u>11,122,221</u>

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

An impairment loss of KD 407,518 (30 June 2015: KD Nil) has been made against investments classified as available for sale on which there has been a significant or prolonged decline in value.

6 INVESTMENT PROPERTIES

	30 June 2016 KD	(Audited) 31 December 2015 KD	30 June 2015 KD
As at 1 January	157,085,671	146,454,079	146,454,079
Additions	5,871,384	11,382,901	10,183,605
Depreciation	(878,814)	(1,835,045)	(878,854)
Reversal of impairment loss	-	1,255,236	1,259,207
Foreign currency translation adjustment	(1,272,661)	(171,500)	494,338
	<u>160,805,580</u>	<u>157,085,671</u>	<u>157,512,375</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

6 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD 155,792 (31 December 2015: KD 155,792 and 30 June 2015: 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>30 June</i> <i>2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>30 June</i> <i>2015</i> <i>KD</i>
At 1 January	109,359,992	106,127,453	106,127,452
Loans received	8,030,400	17,011,179	14,521,265
Loans repaid	(3,463,748)	(12,200,000)	(2,188,444)
Foreign currency translation adjustment	(321,247)	(1,578,640)	(1,065,542)
	<u>113,605,397</u>	<u>109,359,992</u>	<u>117,394,731</u>
	<i>30 June</i> <i>2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>30 June</i> <i>2015</i> <i>KD</i>
Commercial financing	36,266,326	33,167,987	27,200,931
Islamic financing	77,339,071	76,192,005	90,193,800
	<u>113,605,397</u>	<u>109,359,992</u>	<u>117,394,731</u>

Commercial financing are repayable in periodic installments over variable periods of time with maturities extending to December 2040.

Commercial financing denominated in Euro, carries variable interest rates which range from 1% to 1.5% (31 December 2015: 1% to 1.5% and 30 June 2015: 1% to 1.5% per annum) per annum over Euribor.

The profit rate attributable to Islamic financing during the period is 1.5% per annum (31 December 2015: 1.5% and 30 June 2015: 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 44,166,667 (31 December 2015: KD 44,166,667 and 30 June 2015: KD 48,583,333) 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 (31 December 2015: KD 71,794,141 and 30 June 2015: 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 21 March 2016, the shareholders approved the distribution of cash dividends of 20 fils per share (2014: 20 fils per share) amounting to KD 9,858,669 for the year ended 31 December 2015 (2014: KD 9,884,055) for shareholders registered on that date.

As at 30 June 2016, the authorized, issued and paid up capital comprises of 512,723,413 shares (31 December 2015: 512,723,413 shares and 30 June 2015: 512,723,413 shares) at 100 fils (31 December 2015: 100 fils and 30 June 2015: 100 fils) per share each and are fully paid in cash.

9 TREASURY SHARES

At 30 June 2016, the Parent Company held 19,789,949 of its own shares (31 December 2015: 19,571,449 and 30 June 2015: 19,152,877), equivalent to 3.86 % (31 December 2015: 3.82% and 30 June 2015: 3.74%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 7,520,181 (31 December 2015: KD 7,241,436 and 30 June 2015: KD 6,607,743). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

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 less impairment (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; and
- 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 June 2016	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	2,362,999	-	-	2,362,999
Managed unquoted portfolio	-	-	94,812	94,812
	<u>2,362,999</u>	<u>-</u>	<u>94,812</u>	<u>2,457,811</u>
31 December 2015 (Audited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	1,309,912	-	-	1,309,912
Managed unquoted portfolio	-	-	94,812	94,812
	<u>1,309,912</u>	<u>-</u>	<u>94,812</u>	<u>1,404,724</u>
30 June 2015	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	3,123,196	-	-	3,123,196
Managed unquoted portfolio	-	-	94,812	94,812
Managed funds	-	98,316	-	98,316
	<u>3,123,196</u>	<u>98,316</u>	<u>94,812</u>	<u>3,316,324</u>

During the period ended 30 June 2016, 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.

Fair value of other financial instruments is not materially different from their carrying values at the reporting date.

As at 30 June 2016

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

11 SEGMENTAL INFORMATION (continued)

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

	Six months ended 30 June 2016			Six months ended 30 June 2015			
	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 revenue	8,927,368	6,341,888	7,157,117	8,302,124	6,920,654	6,946,725	22,169,503
Segment operating costs	(2,201,653)	(1,866,508)	(5,396,705)	(1,495,154)	(2,043,749)	(5,197,921)	(8,736,824)
Segment gross profit	6,725,715	4,475,380	1,760,412	6,806,970	4,876,905	1,748,804	13,432,679
Share in joint venture's results, net of tax	467,468	-	-	161,447	-	-	161,447
Depreciation	(1,440,844)	(896,285)	(497,464)	(1,521,350)	(675,097)	(493,753)	(2,690,200)
Other operating expenses	(1,308,275)	(1,228,434)	(640,127)	(1,518,754)	(1,099,691)	(602,504)	(3,220,949)
Reversal of impairment loss of investment properties	-	-	-	1,259,207	-	-	1,259,207
Finance costs	(855,689)	(46,654)	(317,141)	(852,337)	(44,410)	(338,295)	(1,235,042)
Taxation on overseas subsidiaries	-	-	(79,223)	-	-	(77,721)	(77,721)
Segment results	3,588,375	2,304,007	226,457	4,335,183	3,057,707	236,531	7,629,421
Interest income	-	-	-	-	-	-	17,476
Investment income	-	-	-	-	-	-	112,638
Impairment loss on financial assets available for sale	-	-	-	-	-	-	-
Other non-operating income (expense), net	-	-	-	-	-	-	(390,754)
KFAS, NLST and Zakat	-	-	-	-	-	-	(333,359)
Profit for the period	5,608,268	2,304,007	226,457	4,335,183	3,057,707	236,531	7,035,422

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

11 SEGMENTAL INFORMATION (continued)

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

	30 June 2016			31 December 2015 (Audited)			30 June 2015					
	Real estate operations KD	Care home operations KD		Real estate operations KD	Care home operations KD		Real estate operations KD	Care home operations KD				
		Hotel operations KD	Total KD		Hotel operations KD	Total KD		Hotel operations KD	Total KD			
Total assets	221,386,491	11,233,322	36,240,128	268,859,941	222,956,527	11,133,804	36,074,118	270,164,449	232,021,503	5,660,128	37,248,870	274,930,501
Total liabilities	105,891,984	2,728,269	22,581,391	131,201,644	100,420,765	2,681,836	22,503,444	125,606,045	110,028,304	2,580,171	23,563,255	136,171,730
Capital expenditure	6,055,415	403,396	264,176	6,722,987	11,725,857	497,439	189,211	12,412,507	10,426,766	208,103	89,646	10,724,515

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 June</i> <i>2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>30 June</i> <i>2015</i> <i>KD</i>
Letters of guarantee	1,812,446	1,812,446	17,952,146
Construction projects	14,085,005	17,210,005	13,852,494
	<u>15,897,451</u>	<u>19,022,451</u>	<u>31,804,640</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.

During the period there were no transactions 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>Company</i> <i>KD</i>	<i>Affiliates</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>30 June</i> <i>2015</i> <i>KD</i>
Staff receivables*	22,483	22,026	44,509	43,004	45,525
Due from related parties*	-	861,727	861,727	789,243	453,687

* Included in accounts receivable and other assets in the interim condensed consolidated statement of financial position.

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>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Short-term benefits	5,489	246,655	443,297	628,442
Employees' end of service benefits	27,806	33,865	55,513	60,659
	<u>33,295</u>	<u>280,520</u>	<u>498,810</u>	<u>689,101</u>