

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

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

30 SEPTEMBER 2017

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 September 2017 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months period and nine months period then ended and the related interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity 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 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 2017, 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 8,014,383 as at 30 September 2017 (31 December 2016: KD 8,356,690 and 30 September 2016: KD 8,461,271) and the share of the joint venture's results net of tax for the nine months period ended 30 September 2017 included in the interim condensed consolidated statement of income is a profit of KD 2,530,649 (30 September 2016: KD 452,150). 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, except for the matter described in the “Basis of Qualified Opinion” above, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association during the nine months period ended 30 September 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

13 November 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		KD	KD	KD	KD
Revenue		10,477,521	9,775,117	33,132,412	32,201,490
Operating costs		(4,453,884)	(4,036,918)	(13,990,345)	(13,834,447)
Gross profit		6,023,637	5,738,199	19,142,067	18,367,043
Share of joint venture's results, net of tax		159,448	(15,318)	2,530,649	452,150
General and administrative expenses		(660,865)	(914,275)	(4,107,762)	(3,384,997)
Depreciation		(1,306,806)	(1,438,433)	(3,974,568)	(4,273,026)
Sales and marketing expenses		(115,115)	(121,593)	(426,477)	(495,044)
Investment income		338	90,765	565,448	163,831
Foreign exchange gain (loss)		12,833	(19,007)	71,049	(52,015)
Interest income		5,744	20,486	17,079	38,011
Other income, net		41,668	25,584	160,811	132,580
Impairment loss on financial assets available for sale	6	(385,169)	-	(982,480)	(407,518)
Impairment loss on investment properties	7	(101,884)	(732,323)	(504,970)	(732,323)
Finance costs		(273,103)	(27,164)	(752,044)	(1,246,648)
Profit before tax		3,400,726	2,606,921	11,738,802	8,562,044
Taxation on overseas subsidiaries		(50,644)	(39,769)	(103,953)	(118,992)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT		3,350,082	2,567,152	11,634,849	8,443,052
KFAS		(32,409)	(24,904)	(115,245)	(84,378)
NLST		(81,022)	(62,262)	(288,113)	(210,946)
Zakat		(32,409)	(24,904)	(115,245)	(84,378)
PROFIT FOR THE PERIOD		3,204,242	2,455,082	11,116,246	8,063,350
Attributable to:					
Equity holders of the Parent Company		3,022,421	2,378,380	11,005,898	8,058,121
Non-controlling interests		181,821	76,702	110,348	5,229
		3,204,242	2,455,082	11,116,246	8,063,350
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	6.2 fils	4.8 fils	22.4 fils	16.3 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)

For the period ended 30 September 2017

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	3,204,242	2,455,082	11,116,246	8,063,350
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	(143,975)	(113,659)	(187,889)	959,640
Exchange differences arising on translation of foreign operations	(210,105)	(961,374)	671,336	(4,613,923)
Total other comprehensive (loss) income for the period	(354,080)	(1,075,033)	483,447	(3,654,283)
Total comprehensive income for the period	2,850,162	1,380,049	11,599,693	4,409,067
Attributable to:				
Equity holders of the Parent Company	2,680,052	1,282,923	11,275,113	4,376,375
Non-controlling interests	170,110	97,126	324,580	32,692
	2,850,162	1,380,049	11,599,693	4,409,067


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)

As at 30 September 2017

		30 September 2017	(Audited) 31 December 2016	30 September 2016
	Notes	KD	KD	KD
ASSETS				
Cash and cash equivalents	4	3,600,176	6,573,017	7,307,710
Fixed deposits		2,473,337	2,328,290	242,964
Inventories		294,805	306,971	324,996
Accounts receivable and other assets		6,006,683	4,360,173	4,107,336
Advance payments to contractors	5	7,217,091	11,795,310	2,296,954
Financial assets available for sale	6	5,417,105	7,112,993	9,104,982
Interest in a joint venture		8,014,383	8,356,690	8,461,271
Investment properties	7	180,139,277	155,857,791	162,790,495
Property and equipment		76,423,346	71,786,781	73,882,959
TOTAL ASSETS		289,586,203	268,478,016	268,519,667
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	4	340,265	-	207,125
Accounts payable and other liabilities		17,499,281	16,786,405	16,584,591
Commercial financing	8	32,318,810	33,850,908	36,463,101
Islamic financing	8	96,944,322	76,623,928	76,226,504
TOTAL LIABILITIES		147,102,678	127,261,241	129,481,321
EQUITY				
Share capital	9	51,272,341	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	10	(5,272,094)	(4,783,820)	(4,783,820)
Treasury shares reserve	10	1,817,810	1,817,810	1,817,810
Statutory reserve		26,793,867	26,793,867	25,488,723
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		17,541,976	16,380,747	13,515,684
Fair value reserve		173,658	361,547	987,651
Foreign currency translation reserve		(8,127,372)	(8,584,476)	(7,321,851)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		139,744,639	138,802,469	136,520,991
Non-controlling interests		2,738,886	2,414,306	2,517,355
TOTAL EQUITY		142,483,525	141,216,775	139,038,346
TOTAL LIABILITIES AND EQUITY		289,586,203	268,478,016	268,519,667


Ghazi Fahad Alnafisi
Chairman


Faisal Abdul Mohsen Al-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)

For the period ended 30 September 2017

	<i>Equity attributable to equity holders of the Parent Company</i>											
	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 2017 (<i>Audited</i>)	51,272,341	35,055,163	(4,783,820)	1,817,810	26,793,867	20,489,290	16,380,747	361,547	(8,584,476)	138,802,469	2,414,306	141,216,775
Profit for the period	-	-	-	-	-	-	11,005,898	-	-	11,005,898	110,348	11,116,246
Other comprehensive income for the period	-	-	-	-	-	-	-	(187,889)	457,104	269,215	214,232	483,447
Total comprehensive income for the period	-	-	-	-	-	-	11,005,898	(187,889)	457,104	11,275,113	324,580	11,599,693
Purchase of treasury shares	-	-	(488,274)	-	-	-	-	-	-	(488,274)	-	(488,274)
Dividends (Note 9)	-	-	-	-	-	-	(9,844,669)	-	-	(9,844,669)	-	(9,844,669)
Balance as at 30 September 2017	51,272,341	35,055,163	(5,272,094)	1,817,810	26,793,867	20,489,290	17,541,976	173,658	(8,127,372)	139,744,639	2,738,886	142,483,525
Balance as at 1 January 2016 (<i>Audited</i>)	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	-	-	-	-	-	-	8,058,121	-	-	8,058,121	5,229	8,063,350
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	959,640	(4,641,386)	(3,681,746)	27,463	(3,654,283)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	8,058,121	959,640	(4,641,386)	4,376,375	32,692	4,409,067
Purchase of treasury shares	-	-	(70,456)	-	-	-	-	-	-	(70,456)	-	(70,456)
Dividends (Note 9)	-	-	-	-	-	-	(9,858,669)	-	-	(9,858,669)	-	(9,858,669)
Balance as at 30 September 2016	51,272,341	35,055,163	(4,783,820)	1,817,810	25,488,723	20,489,290	13,515,684	987,651	(7,321,851)	136,520,991	2,517,355	139,038,346

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)

For the period ended 30 September 2017

	Notes	Nine months ended 30 September	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		11,634,849	8,443,052
Adjustments to reconcile profit for the period before provision for contribution to KFAS, NLST and Zakat for the period to net cash flows:			
Share of joint venture's results, net of tax		(2,530,649)	(452,150)
Provision for employees' end of service benefits		454,090	436,634
Depreciation		3,974,568	4,273,026
Investment income		(565,448)	(163,831)
Foreign exchange (gain) loss		(71,049)	52,015
Interest income		(17,079)	(38,011)
Gain on sale of property and equipment		-	(70,029)
Impairment loss on financial assets available for sale	6	982,480	407,518
Impairment loss on investment properties		504,970	732,323
Finance costs		752,044	1,246,648
		<u>15,118,776</u>	<u>14,867,195</u>
Change in operating assets and liabilities:			
Inventories		12,166	9,752
Accounts receivable and other assets		(1,646,510)	(312,079)
Accounts payable and other liabilities		699,780	227,333
Advances and prepayments to contractors		4,578,219	-
Cash from operations		<u>18,762,431</u>	<u>14,792,201</u>
Employees' end of service benefits paid		(117,585)	(98,506)
KFAS paid		(117,463)	(109,879)
NLST paid		(326,286)	(316,257)
Zakat paid		(117,463)	(126,503)
Net cash flows from operating activities		<u>18,083,634</u>	<u>14,141,056</u>
INVESTING ACTIVITIES			
Proceeds from redemption of financial assets available for sale		1,003,163	149,821
Additions to investment properties	7	(25,581,256)	(9,696,768)
Additions to property and equipment		(3,852,408)	(1,716,177)
Proceeds from sale of property and equipment		769	121,267
Investment income received		87,804	163,831
Dividends received from joint venture		1,880,000	2,604,009
Interest income received		17,079	38,011
Fixed deposits		(145,047)	1,153,987
Net cash flows used in investing activities		<u>(26,589,896)</u>	<u>(7,182,019)</u>
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings obtained	8	24,317,621	8,272,000
Repayment of commercial and Islamic financings	8	(8,064,837)	(4,642,864)
Finance costs paid		(752,044)	(1,246,648)
Dividends paid		(9,819,310)	(9,858,669)
Purchase of treasury shares		(488,274)	(70,456)
Net cash flows from (used in) financing activities		<u>5,193,156</u>	<u>(7,546,637)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(3,313,106)</u>	<u>(587,600)</u>
Cash and cash equivalents at the beginning of the period		6,573,017	7,688,185
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>3,259,911</u>	<u>7,100,585</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)

As at and for the period ended 30 September 2017

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 2017 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 13 November 2017.

On 21 March 2017, 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 2016 and approved the 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. Its 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 2017 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 2016, 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 2017 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 2016. Furthermore, results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2016.

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 2017.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2017

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>3,022,421</u>	<u>2,378,380</u>	<u>11,005,898</u>	<u>8,058,121</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>490,257,445</u>	<u>492,567,480</u>	<u>492,041,458</u>	<u>492,957,136</u>
Basic and diluted earnings per share	<u>6.2 fils</u>	<u>4.8 fils</u>	<u>22.4 fils</u>	<u>16.3 fils</u>

4 CASH AND CASH EQUIVALENTS

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash and cash equivalents	<u>3,600,176</u>	<u>6,573,017</u>	<u>7,307,710</u>
Less: Due to banks and financial institutions	<u>(340,265)</u>	<u>-</u>	<u>(207,125)</u>
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u>3,259,911</u>	<u>6,573,017</u>	<u>7,100,585</u>

5 ADVANCE PAYMENTS TO CONTRACTORS

During the period, the Group made advance payments to the main contractor for the construction of Al Asima project amounting to KD 7,217,091 (31 December 2016: KD 11,795,310 and 30 September 2016: KD nil).

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Managed quoted portfolios	<u>163,099</u>	<u>137,228</u>	<u>136,838</u>
Managed unquoted portfolio	<u>266,022</u>	<u>962,349</u>	<u>2,207,591</u>
Unquoted equity securities	<u>4,987,984</u>	<u>6,013,416</u>	<u>6,760,553</u>
	<u>5,417,105</u>	<u>7,112,993</u>	<u>9,104,982</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 11).

An impairment loss of KD 982,480 (31 December 2016: KD Nil and 30 September 2016: KD 407,518) has been made against investments classified as available for sale on which there has been a significant or prolonged decline in value.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2017

7 INVESTMENT PROPERTIES

	<i>30 September 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 September 2016 KD</i>
As at 1 January	155,857,791	157,085,671	157,085,671
Additions	25,581,256	4,523,530	9,696,768
Depreciation	(1,497,812)	(1,985,124)	(1,468,440)
Impairment loss	(504,970)	(1,843,053)	(732,323)
Foreign currency translation adjustment	703,012	(1,923,233)	(1,791,181)
	<u>180,139,277</u>	<u>155,857,791</u>	<u>162,790,495</u>

Investment properties with a carrying value of KD 155,792 (31 December 2016: KD 155,792 and 30 September 2016: KD 155,792) 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 period ended 30 September 2017, management has reassessed the fair value of certain investment properties which were previously determined as at 31 December 2016 by independent and specialised valuers using the market comparison approach. As a result of this reassessment, the Group recorded an impairment loss of KD 504,970 in the interim condensed consolidated statement of income for the period ended 30 September 2017.

8 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 September 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 September 2016 KD</i>
At 1 January	110,474,836	109,359,992	109,359,992
Loans received	24,317,621	26,072,000	8,272,000
Loans repaid	(8,064,837)	(23,334,281)	(4,642,864)
Foreign currency translation adjustment	2,535,512	(1,622,875)	(299,523)
	<u>129,263,132</u>	<u>110,474,836</u>	<u>112,689,605</u>

	<i>30 September 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 September 2016 KD</i>
Commercial financing	32,318,810	33,850,908	36,463,101
Islamic financing	96,944,322	76,623,928	76,226,504
	<u>129,263,132</u>	<u>110,474,836</u>	<u>112,689,605</u>

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

Commercial financing denominated in Euro, carries variable interest rates which range from 1.5% to 2% per annum (31 December 2016: 1.5% to 2% per annum and 30 September 2016: 1% to 1.5% per annum) over EURIBOR.

The average profit rate attributable to Islamic financing during the years which range from 1% to 1.5% per annum (31 December 2016: 1% to 1.5% per annum and 30 September 2016: 1% to 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 77,627,356 (31 December 2016: KD 39,750,000 and 30 September 2016: KD 44,166,667) has been obtained by a local subsidiary, and is secured by an investment property with a carrying value of KD 71,794,141 (31 December 2016: KD 71,794,141 and 30 September 2016: KD 71,794,141). Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default.

A subsidiary's accumulated finance cost have been capitalised and included within investment properties.

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9 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 21 March 2017, the shareholders approved the distribution of cash dividends of 20 fils per share (2015: 20 fils per share) amounting to KD 9,844,669 for the year ended 31 December 2016 (2015: KD 9,858,669) for shareholders registered on that date.

As at 30 September 2017, the authorised, issued and paid up capital comprises of 512,723,413 shares (31 December 2016: 512,723,413 shares and 30 September 2016: 512,723,413 shares) at 100 fils (31 December 2016: 100 fils and 30 September 2016: 100 fils) per share each and are fully paid in cash.

10 TREASURY SHARES

At 30 September 2017, the Parent Company held 21,155,524 of its own shares (31 December 2016: 19,789,949 and 30 September 2016: 19,789,949), equivalent to 4.13% (31 December 2016: 3.86% and 30 September 2016: 3.86%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 7,510,211 (31 December 2016: KD 7,025,432 and 30 September 2016: KD 7,223,331). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

11 FAIR VALUE MEASUREMENT

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 6) 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 September 2017	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	163,099	-	-	163,099
Managed unquoted portfolio	-	-	266,328	266,328
	<u>163,099</u>	<u>-</u>	<u>266,328</u>	<u>429,427</u>
31 December 2016 (Audited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	137,228	-	-	137,228
Managed unquoted portfolio	-	-	962,349	962,349
	<u>137,228</u>	<u>-</u>	<u>962,349</u>	<u>1,099,577</u>
30 September 2016	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Financial assets available for sale</i>				
Managed quoted portfolios	136,838	-	-	136,838
Managed unquoted portfolio	-	-	2,207,591	2,207,591
	<u>136,838</u>	<u>-</u>	<u>2,207,591</u>	<u>2,344,429</u>

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11 FAIR VALUE MEASUREMENT (continued)

During the period ended 30 September 2017, 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.

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 valued 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.

12 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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12 SEGMENTAL INFORMATION (continued)

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

	Nine months ended 30 September 2017			Nine months ended 30 September 2016			
	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	13,976,415	7,628,070	11,527,927	13,256,210	8,059,533	10,885,747	33,132,412
Segment operating costs	(2,587,111)	(2,890,885)	(8,512,349)	(2,881,951)	(2,525,451)	(8,045,656)	(13,990,345)
Segment gross profit	11,389,304	4,737,185	3,015,578	10,374,259	5,534,082	2,840,091	19,142,067
Share OF joint venture's results, net of tax	2,530,649	-	-	452,150	-	-	2,530,649
Depreciation	(2,255,132)	(966,007)	(753,429)	(2,220,958)	(1,303,127)	(748,941)	(3,974,568)
Other operating expenses	(2,141,510)	(1,326,078)	(1,066,651)	(1,682,821)	(1,649,668)	(928,941)	(4,534,239)
Impairment loss on investment properties	(504,970)	-	-	(732,323)	-	-	(504,970)
Finance costs	(225,362)	(61,500)	(465,182)	(711,630)	(59,501)	(475,517)	(752,044)
Taxation on overseas subsidiaries	-	-	(103,953)	-	-	(118,992)	(103,953)
Segment results	8,792,979	2,383,600	626,363	5,478,677	2,521,786	567,700	11,802,942
Interest income	-	-	-	-	-	-	17,079
Investment income	-	-	-	-	-	-	565,448
Impairment loss on financial assets available for sale	-	-	-	-	-	-	(982,480)
Other non-operating income, (net)	-	-	-	-	-	-	231,860
KFAS, NILST and Zakat	-	-	-	-	-	-	(518,603)
Profit for the period							11,116,246
							8,568,163
							38,011
							163,831
							(407,518)
							80,565
							(379,702)
							8,063,350

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12 SEGMENTAL INFORMATION (continued)

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

	30 September 2017			31 December 2016 (Audited)			30 September 2016		
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD
Total assets	<u>245,810,715</u>	<u>4,909,703</u>	<u>38,865,785</u>	<u>223,933,954</u>	<u>10,142,301</u>	<u>34,401,761</u>	<u>223,833,200</u>	<u>7,902,094</u>	<u>36,784,373</u>
Total liabilities	<u>120,822,732</u>	<u>2,507,244</u>	<u>23,772,702</u>	<u>103,201,450</u>	<u>2,675,413</u>	<u>21,384,378</u>	<u>104,302,081</u>	<u>2,227,394</u>	<u>22,951,846</u>
Capital expenditure	<u>28,072,256</u>	<u>1,106,410</u>	<u>254,998</u>	<u>5,260,686</u>	<u>1,295,518</u>	<u>512,637</u>	<u>10,159,979</u>	<u>762,089</u>	<u>413,776</u>
			<u>289,586,203</u>	<u>268,478,016</u>					<u>268,519,667</u>
			<u>147,102,678</u>	<u>127,261,241</u>					<u>129,481,321</u>
			<u>29,433,664</u>	<u>7,068,841</u>					<u>11,335,844</u>

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13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Letters of guarantee	1,213,987	1,638,907	1,812,446
Construction projects*	30,564,447	50,541,635	14,085,005
	<u>31,778,434</u>	<u>52,180,542</u>	<u>15,897,451</u>

* Capital commitments related to construction projects are determined based on management's estimate since the contract with the main contractor is under the closing process.

During the period a fire occurred in one of the subsidiaries projects, the project in question is still under the full responsibility and control of the Main Contractor who has been assigned the three / four year contract for the development of the Project. The project is fully insured against all risks and perils with a prime international insurance company and fronted by a reputable local national insurance. The management expects that all possible losses will be covered by the insurance claim as per the insurance policy. The potential loss due to the fire has not been ascertained by the Kuwait authorities and the Insurance Company, and a reputable engineering consultant will be assessing the potential damages shortly.

The event will be fully disclosed to all concerned parties once all pertinent reliable information is available.

14 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 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Staff receivables*	47,074	12,464	59,538	41,527	41,341
Due from related parties*	-	725,970	725,970	674,171	709,979

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

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

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14 RELATED PARTY TRANSACTIONS (continued)

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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Short-term benefits	36,283	20,387	562,861	463,684
Employees' end of service benefits	31,093	23,597	150,671	79,110
	67,376	43,984	713,532	542,794