

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

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

31 MARCH 2014



**Building a better
working world**

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Salhia Real Estate Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively “the Group”) as at 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

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 amounts to KD 17,069,778 (31 March 2013: KD 13,263,000) and the share of the joint venture’s results for the three months period ended 31 March 2014 included in the interim condensed consolidated statement of income is a profit of KD 517,182 (31 March 2013: profit of KD 656,570).

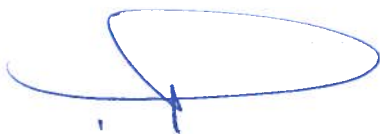
Qualified Conclusion

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association that might have had a material effect on the business of the Parent Company or on its financial position during the three months period ended 31 March 2014.



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



ALI A. AL-HASAWI
LICENSE NO.30-A
RÖDL MIDDLE EAST
BURGAN – INTERNATIONAL ACCOUNTANTS

12 May 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 (Unaudited) KD	2013 (Unaudited) KD
Revenues		11,435,651	11,767,471
Operating costs		(4,741,427)	(4,447,432)
Gross profit		6,694,224	7,320,039
Share in joint venture's results		517,182	656,570
General and administrative expenses		(1,295,428)	(1,398,066)
Depreciation		(1,563,731)	(1,558,255)
Sales and marketing expenses		(260,420)	(197,990)
Investment income	3	67,784	110,674
Foreign exchange gain (loss)		15,413	(133,708)
Interest income		80,223	85,428
Other income		175,764	14,419
Impairment loss on financial assets available for sale		(22,273)	(483,315)
Finance costs		(1,187,375)	(1,526,075)
Profit before tax		3,221,363	2,889,721
Foreign tax		(557,476)	(238,252)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT		2,663,887	2,651,469
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(26,756)	(26,343)
National Labour Support Tax (NLST)		(66,891)	(65,857)
Zakat		(26,756)	(26,343)
PROFIT FOR THE PERIOD		2,543,484	2,532,926
Attributable to:			
Equity holders of the Parent Company		2,555,234	2,515,750
Non-controlling interests		(11,750)	17,176
		2,543,484	2,532,926
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	4	5.2 fils	5.1 fils

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 31 March 2014

	Note	Three months ended 31 March	
		2014 (Unaudited) KD	2013 (Unaudited) KD
Profit for the period		2,543,484	2,532,926
Other comprehensive income			
<i>Other comprehensive income (loss) to be reclassified to consolidated income statement in subsequent periods:</i>			
Net movement in cumulative changes in fair value		16,438	135,352
Exchange differences arising on translation of foreign operations		(49,683)	(1,035,620)
Net other comprehensive loss to be reclassified to consolidated income statement in subsequent periods		(33,245)	(900,268)
<i>Other comprehensive income (loss) not to be reclassified to consolidated income statement in subsequent periods:</i>			
Realised gain on sale of financial assets available for sale	3	(29,204)	(26,622)
Impairment loss transferred to interim condensed consolidated statement of income		-	83,315
Net other comprehensive income (loss) not to be reclassified to consolidated income statement in subsequent periods		(29,204)	56,693
Total other comprehensive loss for the period		(62,449)	(843,575)
Total comprehensive income for the period		2,481,035	1,689,351
Attributable to:			
Equity holders of the Parent Company		2,491,884	1,717,049
Non-controlling interests		(10,849)	(27,698)
		2,481,035	1,689,351

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2014

	Notes	March 2014 (Unaudited) KD	31 December 2013 (Audited) KD	31 March 2013 (Unaudited) KD
ASSETS				
Cash and cash equivalents	5	5,157,075	7,285,873	10,599,820
Fixed deposits		2,662,157	2,657,964	3,461,212
Inventories		361,656	328,239	355,240
Accounts receivable and other assets		7,422,892	6,904,552	5,087,594
Financial assets available for sale	6	11,263,223	11,318,456	16,817,300
Investment in joint venture		17,069,778	16,907,027	13,263,000
Investment properties	7	142,966,279	142,831,144	143,193,950
Property and equipment		85,041,974	86,042,042	85,982,039
TOTAL ASSETS		271,945,034	274,275,297	278,760,155
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and a financial institution	5	1,027,806	-	-
Accounts payable and other liabilities		17,066,187	16,644,670	17,233,852
Commercial financing	8	27,353,119	27,674,387	28,402,017
Islamic financing	8	80,812,500	86,750,000	98,562,500
TOTAL LIABILITIES		126,259,612	131,069,057	144,198,369
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	(3,943,348)	(3,941,495)	(3,941,495)
Treasury shares reserve	10	1,817,810	1,817,810	1,817,810
Statutory reserve		23,054,698	23,054,698	21,368,779
Voluntary reserve		20,489,290	20,489,290	20,489,290
Other reserve		-	-	(663,600)
Retained earnings		17,047,675	14,492,441	10,776,887
Fair value reserve		(1,757,305)	(1,744,539)	(1,648,475)
Foreign currency translation reserve		(330,731)	(280,147)	(2,625,274)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		142,705,593	140,215,562	131,901,426
Non-controlling interests		2,979,829	2,990,678	2,660,360
TOTAL EQUITY		145,685,422	143,206,240	134,561,786
TOTAL LIABILITIES AND EQUITY		271,945,034	274,275,297	278,760,155

Ghazi Fahad Alnafisi
Chairman

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2014

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Subtotal		Non-controlling interests KD	Total equity KD
Balance at 1 January 2014 (Audited)	51,272,341	35,055,163	1,817,810	(3,941,495)	1,817,810	23,054,698	20,489,290	-	14,492,441	(1,744,539)	(280,147)	140,215,562	2,990,678	143,206,240	
Profit for the period	-	-	-	-	-	-	-	-	2,555,234	-	-	2,555,234	(11,750)	2,543,484	
Other comprehensive income	-	-	-	-	-	-	-	-	-	(12,766)	(50,584)	(63,350)	901	(62,449)	
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	2,555,234	(12,766)	(50,584)	2,491,884	(10,849)	2,481,035	
Purchase of treasury shares	-	-	-	(1,853)	-	-	-	-	-	-	-	(1,853)	-	(1,853)	
Balance at 31 March 2014	51,272,341	35,055,163	1,817,810	(3,943,348)	1,817,810	23,054,698	20,489,290	-	17,047,675	(1,757,305)	(330,731)	142,705,593	2,979,829	145,685,422	
Balance at 1 January 2013 (Audited)	51,272,341	35,055,163	1,817,810	(3,941,495)	1,817,810	21,368,779	20,489,290	(663,600)	8,261,137	(1,840,520)	(1,634,528)	130,184,377	2,688,058	132,872,435	
Profit for the period	-	-	-	-	-	-	-	-	2,515,750	-	-	2,515,750	17,176	2,532,926	
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	192,045	(990,746)	(798,701)	(44,874)	(843,575)	
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	2,515,750	192,045	(990,746)	1,717,049	(27,698)	1,689,351	
Balance at 31 March 2013	51,272,341	35,055,163	1,817,810	(3,941,495)	1,817,810	21,368,779	20,489,290	(663,600)	10,776,887	(1,648,475)	(2,625,274)	131,901,426	2,660,360	134,561,786	

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2014

	Note	Three months ended 31 March	
		2014 (Unaudited) KD	2013 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before provision for contribution to KFAS, NLST and Zakat		2,663,887	2,651,469
Adjustments for:			
Share in joint venture's results, net of tax		(17,608)	(478,896)
Depreciation		1,563,731	1,558,255
Provision for employees' end of service benefits		166,893	271,155
Investment income		(67,784)	(110,674)
Foreign exchange (gain) loss		(15,413)	133,708
Interest income		(80,223)	(85,428)
Impairment loss on financial assets available for sale		22,273	483,315
Finance costs		1,187,375	1,526,075
		<u>5,423,131</u>	<u>5,948,979</u>
Change in operating assets and liabilities:			
Inventories		(33,417)	14,602
Accounts receivable and other assets		(518,340)	(63,246)
Accounts payable and other liabilities		(90,129)	(15,912)
Cash from operations		4,781,245	5,884,423
Employees' end of service benefits paid		(23,732)	(426,332)
KFAS paid		-	(79,154)
Directors remuneration paid		-	(120,000)
Net cash flows from operating activities		<u>4,757,513</u>	<u>5,258,937</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		-	(120,973)
Proceeds from sale of financial assets available for sale		29,204	26,622
Additions to investment properties and property and equipment		(854,137)	(477,104)
Proceeds from sale of fixed assets		993	1,465
Investment income received		38,580	84,052
Interest income received		80,223	85,428
Term deposits		(4,193)	3,105
Net cash flows used in investing activities		<u>(709,330)</u>	<u>(397,405)</u>
FINANCING ACTIVITIES			
Bank loans received		30,197	3,490,077
Bank loans repaid		(6,161,250)	(1,710,103)
Finance costs paid		(1,071,881)	(1,143,006)
Purchase of treasury shares		(1,853)	-
Net cash flows (used in) from financing activities		<u>(7,204,787)</u>	<u>636,968</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(3,156,604)</u>	<u>5,498,500</u>
Cash and cash equivalents at the beginning of the period		7,285,873	5,101,320
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u>4,129,269</u>	<u>10,599,820</u>

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

1 CORPORATE INFORMATION

The interim condensed consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group") for the three months period ended 31 March 2014 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 12 May 2014.

The Group comprises Salhia Real Estate Company K.S.C.P. and its subsidiaries listed in Note 15.

The Parent Company is a 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.

The new Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. The Parent Company has complied with the new Companies Law and its Executive Regulations as of the reporting period.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

The 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 2013. Furthermore, results for the three months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

New standards, interpretations and amendments adopted by the Group

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new and amended International Financial Reporting Standards that have become effective from 1 January 2014 and those which are applicable to the Group:

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)
These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments have not resulted in any impact on the financial position or performance of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. These amendments have not resulted in any impact on the financial position or performance of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

3 INVESTMENT INCOME

	<i>Three months ended</i> <i>31 March</i>	
	<i>2014</i> <i>(Unaudited)</i> <i>KD</i>	<i>2013</i> <i>(Unaudited)</i> <i>KD</i>
Gain on sale of financial assets available for sale	29,204	26,622
Dividend income	38,580	84,052
	<u>67,784</u>	<u>110,674</u>

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic:

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

Diluted:

Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the period attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 31 March 2014.

	<i>Three months ended</i> <i>31 March</i>	
	<i>2014</i> <i>(Unaudited)</i>	<i>2013</i> <i>(Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	2,555,234	2,515,750
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	495,320,886	495,323,413
Basic and diluted earnings per share	<u>5.2 fils</u>	<u>5.1 fils</u>

5 CASH AND CASH EQUIVALENTS

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

	<i>31 March</i> <i>2014</i> <i>(Unaudited)</i> <i>KD</i>	<i>31 December</i> <i>2013</i> <i>(Audited)</i> <i>KD</i>	<i>31 March</i> <i>2013</i> <i>(Unaudited)</i> <i>KD</i>
Cash and bank balances	5,157,075	7,285,873	10,599,820
Due to banks contractually due within three months	(1,027,806)	-	-
Cash and cash equivalents	<u>4,129,269</u>	<u>7,285,873</u>	<u>10,599,820</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>31 March 2013 (Unaudited) KD</i>
Managed quoted portfolios	2,501,202	2,470,957	2,297,667
Managed funds	443,141	454,037	457,798
Unquoted securities	8,318,880	8,393,462	14,061,835
	<u>11,263,223</u>	<u>11,318,456</u>	<u>16,817,300</u>
	<i>31 March 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>31 March 2013 (Unaudited) KD</i>
Local investments	4,694,263	4,662,902	5,794,870
Foreign investments	6,568,960	6,655,554	11,022,430
	<u>11,263,223</u>	<u>11,318,456</u>	<u>16,817,300</u>

Managed quoted portfolios represent local and foreign equity investments and are carried at market bid prices and fair values as reported by the portfolio managers. During the period, the Parent Company recorded an impairment loss of KD Nil (31 March 2013: 62,110) against investments for significant or prolonged decline in value.

Managed funds represent investments in mutual funds which are carried at the latest net asset value provided by the respective fund managers.

Unquoted securities amounting to KD 7,220,386 (31 December 2013: KD 7,294,968, 31 March 2013: KD 7,773,091) are carried at cost less impairment since fair values cannot be reliably estimated and the investment managers have been unable to indicate any estimates of the range within which fair values might lie. During the period, the Group recorded an impairment loss of KD 22,273 (31 December 2013 : KD 497,470, 31 March 2013: 21,205) in the interim condensed consolidated statement of income.

Unquoted equity securities amounting to KD 1,098,494 (31 December 2013: KD 1,098,494, 31 March 2013: KD 2,222,529) are carried at fair value as reported by the portfolio manager.

Unquoted equity securities include an investment with a carrying value of KD Nil (31 December 2013: KD Nil, 31 March 2013 : KD 4,066,215) in a regional company which has filed a voluntary case under Chapter 11 of the United States Bankruptcy Code to protect the business and assets of the Company during the last year. During the period, the Group recorded an impairment loss of KD Nil (31 December 2013 : KD 4,066,215, 31 March 2013: 400,000) in the condensed consolidated statement of income.

7 INVESTMENT IN PROPERTIES

	<i>31 March 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>31 March 2013 (Unaudited) KD</i>
At 1 January	142,831,144	143,705,580	143,705,580
Additions	532,718	803,581	211,474
Depreciation	(439,428)	(1,757,603)	(439,347)
Foreign currency translation adjustment	41,845	79,586	(283,757)
	<u>142,966,279</u>	<u>142,831,144</u>	<u>143,193,950</u>

Investment properties with a carrying value of KD 4,898,246 (2012: KD 4,749,310) 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

8 COMMERCIAL AND ISLAMIC FINANCING

	<i>31 March 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>31 March 2013 (Unaudited) KD</i>
At 1 January	114,424,387	125,705,540	125,705,540
Loans received	30,197	7,000,000	3,490,077
Loans repaid	(6,161,250)	(19,544,160)	(1,710,603)
Foreign currency translation adjustment	(127,715)	1,263,007	(520,497)
	<u>108,165,619</u>	<u>114,424,387</u>	<u>126,964,517</u>

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

Commercial financing denominated in Kuwaiti Dinar carry variable interest rates, which range from 1.5% to 1.75% per annum (31 Dec 2013: 1.5% to 1.75%, 31 March 2013: 1.5% to 2.5% per annum) over the Central Bank of Kuwait discount rate. The foreign currency financing carries variable interest rates which range from 1.5% to 2% per annum (31 December 2013: 1.5% to 2%, 31 March 2013: 1.5% to 2.5% per annum) over Euribor.

The average profit rate attributable to Islamic financing during the period is 1.75% per annum (31 December 2013: 1.75%, 31 March 2013: 2% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 53,000,000 has been obtained by a local subsidiary acquired during 2011, and is secured by an investment property with a carrying value of KD 80,239,517 owned by the Group. Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default.

9 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 9 April 2014, the shareholders approved the distribution of cash dividends of 20 fils per share (2012: 15 fils per share) amounting to KD 9,906,368 for the year ended 31 December 2013 (2012: KD 7,429,851) for shareholders registered on that date.

As at 31 March 2014, the authorized, issued and paid up capital comprises of 512,723,413 shares at 100 fils per share each (31 December 2013: 512,723,413 shares, 31 March 2013: 512,723,413 shares), fully paid in cash.

10 TREASURY SHARES

At 31 March 2014, the Parent Company held 17,405,000 of its own shares (31 December 2013: 17,400,000, 31 March 2013: 17,400,000), equivalent to 3.39% (31 December 2013: 3.39%, 31 March 2013: 3.39%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 6,700,925 (31 December 2013: KD 6,699,000, 31 March 2013: KD 5,742,000). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

The fair values of financial instruments, with the exception of certain financial assets available-for-sale carried at cost (see Note 6) are not materially different from their carrying values.

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11 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:

31 March 2014	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,501,202	-	-	2,501,202
Managed funds	-	443,141	-	443,141
Unquoted securities	-	-	492,651	492,651
	<u>2,501,202</u>	<u>443,141</u>	<u>492,651</u>	<u>3,436,994</u>
31 December 2013	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,470,957	-	-	2,470,957
Managed funds	-	454,037	-	454,037
Unquoted securities	-	-	492,651	492,651
	<u>2,470,957</u>	<u>454,037</u>	<u>492,651</u>	<u>3,417,645</u>
31 March 2013	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	2,297,667	-	-	2,297,667
Managed funds	-	457,798	-	457,798
Unquoted securities	-	-	4,732,319	4,732,319
	<u>2,297,667</u>	<u>457,798</u>	<u>4,732,319</u>	<u>7,487,784</u>

During the period ended 31 March 2014, 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.

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:

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11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At 1 January 2014 KD</i>	<i>Income/(loss) recorded in the consolidated income statement KD</i>	<i>Gain/(loss) recorded in equity KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>At 31 March 2014 KD</i>
31 March 2014					
Assets measured at fair value					
Financial assets available for sale					
Unquoted securities	492,651	-	-	-	492,651
31 December 2013					
Assets measured at fair value					
Financial assets available for sale					
Unquoted securities	5,132,327	(5,073,812)	434,136	-	492,651
31 March 2013					
Assets measured at fair value					
Financial assets available for sale					
Unquoted securities	5,132,319	(400,000)	-	-	4,732,319

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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At 31 March 2014

12 SEGMENTAL INFORMATION (continued)

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

	Three months ended 31 March 2014 (Unaudited)			Three months ended 31 March 2013 (Unaudited)		
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD
Segment revenues	3,988,779	3,516,919	3,929,953	3,871,586	3,999,177	3,896,708
Segment operating costs	(543,234)	(1,333,384)	(2,864,809)	(452,988)	(1,242,676)	(2,751,768)
Segment gross profit	3,445,545	2,183,535	1,065,144	3,418,598	2,756,501	1,144,940
Share in joint venture's results	517,182	-	-	656,570	-	-
Depreciation	(773,598)	(489,526)	(300,607)	(771,278)	(490,926)	(296,051)
Other operating expenses	(952,393)	(271,617)	(331,838)	(846,437)	(435,102)	(314,517)
Finance costs	(891,429)	(20,723)	(275,223)	(1,107,645)	(24,186)	(394,244)
Foreign tax	(499,574)	-	(57,902)	(177,674)	-	(60,578)
Segment results	845,733	1,401,669	99,574	1,172,134	1,806,287	79,550
Interest income						
Investment income			80,223			85,428
Impairment loss on financial assets available for sale			67,784			110,674
Other non-operating income (expense) KFAS, NLST and Zakat			(22,273)			(483,315)
			191,177			(119,289)
			(120,403)			(118,543)
Profit for the period			2,543,484			2,532,926

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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12 SEGMENTAL INFORMATION (continued)

	Three months ended 31 March 2014 (Unaudited)				31 December 2013 (Audited)				Three months ended 31 March 2013 (Unaudited)			
	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Total assets	225,289,826	2,511,762	44,143,446	271,945,034	227,119,098	2,723,785	44,432,414	274,275,297	230,618,236	5,843,120	42,298,799	278,760,155
Total liabilities	95,473,686	2,511,762	28,274,164	126,259,612	99,652,315	2,723,785	28,692,957	131,069,057	108,939,622	5,843,120	29,415,627	144,198,369

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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>31 March 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>31 March 2013 (Unaudited) KD</i>
Letters of guarantee	16,761,566	16,761,566	16,761,566
Construction projects	17,872,578	18,332,578	14,802,071
	<u>34,634,144</u>	<u>35,094,144</u>	<u>31,563,637</u>

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.

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

	<i>Directors and key management personnel KD</i>	<i>Other KD</i>	<i>31 March 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>31 March 2013 (Unaudited) KD</i>
Staff receivables	118,258	157,919	276,177	287,088	346,100

Compensation of key management personnel

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

	<i>31 March 2014 (Unaudited) KD</i>	<i>31 March 2013 (Unaudited) KD</i>
Short-term benefits	319,771	329,649
Employees' end of service benefits	24,759	37,878
	<u>344,530</u>	<u>367,527</u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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At 31 March 2014

15 SUBSIDIARIES

<i>Name of the company</i>	<i>Percentage of ownership</i>		<i>Country of incorporation</i>	<i>Principal activity</i>
	<i>31 March 2014</i>	<i>31 December 2013</i>		
<i>Directly held:</i>				
Haddia Holding GMBH	90.89%	90.89%	Germany	Holding company
Drawbridge Securities Limited (a)	50.00%	50.00%	United Kingdom	Property development
Salhia International Investment Limited	100.00%	100.00%	United Kingdom	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	99.00%	99.00%	Kuwait	Project management
Al Asima Real Estate Company K.S.C	99.74%	99.74%	Kuwait	Real estate
<i>Held through Haddia Holding GMBH:</i>				
SAREC GMBH	100.00%	100.00%	Germany	Leasing of properties
DANA Lebensstil GmbH (a)	50.00%	50.00%	Germany	Dormant company
Dana Senioreneinrichtungen GMBH (a)	40.00%	40.00%	Germany	Care home operator
Dana Ambulante Pflegedienste GMBH (a)	40.00%	40.00%	Germany	Care home service provider
Dana Services GMBH (Gredo GMBH) (a)	40.00%	40.00%	Germany	Care home catering service provider
<i>Held through Salhia International Investments Limited:</i>				
Salhia Jersey Limited	100.00%	100.00%	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	100.00%	100.00%	United Kingdom	Real estate
Ingelby Limited	100.00%	100.00%	United Kingdom	Property development

(a) During the period ended 31 March 2014, the Group continued to consolidate Drawbridge Securities Limited, DANA Lebensstil GmbH, Dana Senioreneinrichtungen GMBH, Dana Ambulante Pflegedienste GMBH and Dana Services GMBH (Gredo GMBH) as the Group has in substance the majority of ownership risks in order to obtain benefits from their activities.