

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

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

**30 SEPTEMBER 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 30 September 2014 and the related interim condensed consolidated statements of income and comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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 17,980,648 (30 September 2013: KD 16,426,196) and the share of the joint venture's results net of tax for the three months and nine months period ended 30 September 2014 included in the interim condensed consolidated statement of income is a profit of KD 642,741 and KD 992,166 respectively (three months and nine months periods ended 30 September 2013: profit of KD 513,362 and KD 1,451,054 respectively).

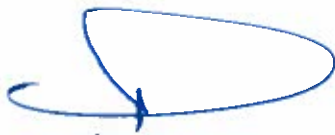
### **Qualified Conclusion**

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 nine months period ended 30 September 2014.



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



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

10 November 2014  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 30 September 2014

	Three months ended 30 September		Nine months ended 30 September		
	Notes	2014 (Unaudited) KD	2013 (Unaudited) KD	2014 (Unaudited) KD	2013 (Unaudited) KD
Revenues		10,397,157	10,244,329	32,876,793	33,319,199
Operating costs		(4,618,591)	(4,663,598)	(14,334,149)	(13,753,823)
Gross profit		5,778,566	5,580,731	18,542,644	19,565,376
Share in joint venture's results		466,575	754,804	1,530,552	2,075,368
General and administrative expenses		(717,481)	(524,569)	(3,335,003)	(2,811,820)
Depreciation		(1,307,159)	(1,566,798)	(4,453,418)	(4,681,159)
Sales and marketing expenses		(168,064)	(162,799)	(614,062)	(650,702)
Investment income	3	48,168	84,193	766,137	335,384
Foreign exchange gain (loss)		2,328	108,480	121,148	(17,068)
Interest income		70,353	59,910	206,308	193,737
Other income		10,525	65,789	215,332	135,937
Impairment loss on financial assets available for sale		-	(692,586)	(266,316)	(2,004,315)
Finance costs		(1,219,864)	(1,482,157)	(3,367,674)	(4,622,691)
Profit before tax		2,963,947	2,224,998	9,345,648	7,518,047
Foreign tax		62,281	(296,693)	(765,536)	(793,508)
<b>PROFIT BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT</b>		<b>3,026,228</b>	<b>1,928,305</b>	<b>8,580,112</b>	<b>6,724,539</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(29,749)	(15,622)	(85,259)	(63,795)
National Labour Support Tax (NLST)		(74,373)	(39,057)	(213,148)	(159,489)
Zakat		(29,749)	(15,622)	(85,259)	(63,795)
<b>PROFIT FOR THE PERIOD</b>		<b>2,892,357</b>	<b>1,858,004</b>	<b>8,196,446</b>	<b>6,437,460</b>
Attributable to:					
Equity holders of the Parent Company		2,841,039	1,821,904	8,142,250	6,422,400
Non-controlling interests		51,318	36,100	54,196	15,060
		<b>2,892,357</b>	<b>1,858,004</b>	<b>8,196,446</b>	<b>6,437,460</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY</b>	4	<b>5.74 fils</b>	<b>3.68 fils</b>	<b>16.44 fils</b>	<b>12.97 fils</b>

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 30 September 2014

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	KD	KD	KD	KD
<b>Profit for the period</b>	<b>2,892,357</b>	<b>1,858,004</b>	<b>8,196,446</b>	<b>6,437,460</b>
<b>Other comprehensive income</b>				
<i>Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:</i>				
Net movement in cumulative changes in fair value	437,198	7,018	107,725	(104,253)
Impairment loss transferred to interim condensed consolidated statement of income	-	92,586	237,983	275,952
Realised gain on sale of financial assets available for sale	3 (19,222)	(10,094)	(618,344)	(35,417)
Exchange differences arising on translation of foreign operations	(1,052,964)	2,938,469	(823,271)	2,158,811
<b>Total other comprehensive (loss) income for the period</b>	<b>(634,988)</b>	<b>3,027,979</b>	<b>(1,095,907)</b>	<b>2,295,093</b>
<b>Total comprehensive income for the period</b>	<b>2,257,369</b>	<b>4,885,983</b>	<b>7,100,539</b>	<b>8,732,553</b>
Attributable to:				
Equity holders of the Parent Company	2,359,321	4,657,425	7,211,399	8,509,818
Non-controlling interests	(101,952)	228,558	(110,860)	222,735
	<b>2,257,369</b>	<b>4,885,983</b>	<b>7,100,539</b>	<b>8,732,553</b>

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 30 September 2014

		30 September 2014 (Unaudited) KD	31 December 2013 (Audited) KD	30 September 2013 (Unaudited) KD
<b>ASSETS</b>				
Cash and cash equivalents	5	6,790,872	7,285,873	14,096,044
Fixed deposits		3,041,670	2,657,964	3,143,395
Inventories		387,658	328,239	420,735
Accounts receivable and other assets		5,845,579	6,904,552	5,187,946
Financial assets available for sale	6	10,756,668	11,318,456	15,358,790
Investment in joint venture		17,980,648	16,907,027	16,426,196
Investment properties	7	144,442,351	142,831,144	143,205,743
Property and equipment		81,485,217	86,042,042	86,198,040
<b>TOTAL ASSETS</b>		<b>270,730,663</b>	<b>274,275,297</b>	<b>284,036,889</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks	5	-	-	6,195,117
Accounts payable and other liabilities		16,778,441	16,644,670	14,874,141
Commercial financing	8	25,420,412	27,674,387	27,354,994
Islamic financing	8	88,187,500	86,750,000	101,437,500
<b>TOTAL LIABILITIES</b>		<b>130,386,353</b>	<b>131,069,057</b>	<b>149,861,752</b>
<b>EQUITY</b>				
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	(3,997,496)	(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		12,728,223	14,492,441	7,253,686
Fair value reserve		(2,017,175)	(1,744,539)	(1,704,238)
Foreign currency translation reserve		(938,362)	(280,147)	316,608
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>137,464,492</b>	<b>140,215,562</b>	<b>131,264,344</b>
Non-controlling interests		2,879,818	2,990,678	2,910,793
<b>TOTAL EQUITY</b>		<b>140,344,310</b>	<b>143,206,240</b>	<b>134,175,137</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>270,730,663</b>	<b>274,275,297</b>	<b>284,036,889</b>

  
Ghazi Fahad Alnafisi  
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 30 September 2014

*Equity Attributable to equity holders of the Parent Company*

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Non-controlling interests		Total equity KD
												KD	KD	
Balance at 1 January 2014 (Audited)	51,272,341	35,055,163	(3,941,495)	1,817,810	23,054,698	20,489,290	-	14,492,441	(1,744,539)	(280,147)	140,215,562	2,990,678	143,206,240	
Profit for the period	-	-	-	-	-	-	-	8,142,250	-	-	8,142,250	54,196	8,196,446	
Other comprehensive loss	-	-	-	-	-	-	-	-	(272,636)	(658,215)	(930,851)	(165,056)	(1,095,907)	
Total comprehensive income (loss)	-	-	-	-	-	-	-	8,142,250	(272,636)	(658,215)	7,211,399	(110,860)	7,100,539	
Purchase of treasury shares	-	-	(56,001)	-	-	-	-	-	-	-	(56,001)	-	(56,001)	
Dividends (Note 9)	-	-	-	-	-	-	-	(9,906,468)	-	-	(9,906,468)	-	(9,906,468)	
<b>Balance at 30 September 2014</b>	<b>51,272,341</b>	<b>35,055,163</b>	<b>(3,997,496)</b>	<b>1,817,810</b>	<b>23,054,698</b>	<b>20,489,290</b>	<b>-</b>	<b>12,728,223</b>	<b>(2,017,175)</b>	<b>(938,362)</b>	<b>137,464,492</b>	<b>2,879,818</b>	<b>140,344,310</b>	
Balance at 1 January 2013 (Audited)	51,272,341	35,055,163	(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	-	-	-	-	-	-	-	6,422,400	-	-	6,422,400	15,060	6,437,460	
Other comprehensive income	-	-	-	-	-	-	-	-	136,282	1,951,136	2,087,418	207,675	2,295,093	
Total comprehensive income	-	-	-	-	-	-	-	6,422,400	136,282	1,951,136	8,509,818	222,735	8,732,553	
Dividends (Note 9)	-	-	-	-	-	-	-	(7,429,851)	-	-	(7,429,851)	-	(7,429,851)	
<b>Balance at 30 September 2013</b>	<b>51,272,341</b>	<b>35,055,163</b>	<b>(3,941,495)</b>	<b>1,817,810</b>	<b>21,368,779</b>	<b>20,489,290</b>	<b>(663,600)</b>	<b>7,253,686</b>	<b>(1,704,238)</b>	<b>316,608</b>	<b>131,264,344</b>	<b>2,910,793</b>	<b>134,175,137</b>	

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 30 September 2014

		<i>Nine months ended 30 September</i>	
		<b>2014</b>	<b>2013</b>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>	<i>Note</i>		
Profit for the period before provision for contribution to KFAS, NLST and Zakat		8,580,112	6,724,539
Adjustments for:			
Share in joint venture's results, net of tax		(992,167)	(1,451,054)
Depreciation		4,453,418	4,681,159
Provision for employees' end of service benefits		420,558	330,249
Investment income		(766,317)	(335,384)
Foreign exchange (gain) loss		(121,148)	17,068
Interest income		(206,308)	(193,737)
Impairment loss on financial assets available for sale		266,316	2,004,315
Finance costs		3,367,674	4,622,691
		<u>15,002,138</u>	<u>16,399,846</u>
Change in operating assets and liabilities:			
Inventories		(59,419)	(50,893)
Accounts receivable and other assets		1,058,973	(163,598)
Accounts payable and other liabilities		(1,110,176)	(738,679)
Cash from operations		14,891,516	15,446,676
Employees' end of service benefits paid		(130,085)	(1,972,472)
KFAS paid		-	(79,154)
Directors remuneration paid		-	(120,000)
Net cash flows from operating activities		<u>14,761,431</u>	<u>13,275,050</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets available for sale		-	(277,127)
Proceeds from sale of financial assets available for sale		1,069,880	94,490
Additions to investment properties and property and equipment		(3,838,203)	(1,806,133)
Investment income received		147,973	299,967
Interest income received		206,308	193,737
Change in term deposits		(383,706)	320,922
Net cash flows used in investing activities		<u>(2,797,748)</u>	<u>(1,174,144)</u>
<b>FINANCING ACTIVITIES</b>			
Bank loans received		10,000,000	8,000,000
Bank loans repaid		(9,194,894)	(5,712,079)
Finance costs paid		(3,301,321)	(4,159,369)
Dividends paid		(9,906,468)	(7,429,851)
Purchase of treasury shares		(56,001)	-
Net cash flows used in financing activities		<u>(12,458,684)</u>	<u>(9,301,299)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVELENTS</b>		<u>(495,001)</u>	<u>2,799,607</u>
Cash and cash equivalents at the beginning of the period		7,285,873	5,101,320
<b>CASH AND CASH EQUIVELENTS AT THE END OF THE PERIOD</b>	<b>5</b>	<u>6,790,872</u>	<u>7,900,927</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 30 September 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 nine months period ended 30 September 2014 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 10 November 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. It's registered office is located at Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

### 2 BASIS OF 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 nine months period ended 30 September 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 30 September 2014

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

#### **Standards issued but not yet effective**

The following IASB Standards have been issued but are not yet effective and have not been early adopted by the Group. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

*The IASB issued IFRS 9 - Financial Instruments* in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

#### *IFRS 15 – Revenue from Contracts with customers (“IFRS 15”)*

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and does not expect any significant impact on adoption of this standard.

### 3 INVESTMENT INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Gain on sale of financial assets available for Sale	19,222	10,094	618,344	35,417
Dividend income	28,946	74,099	147,793	299,967
	<u>48,168</u>	<u>84,193</u>	<u>766,137</u>	<u>335,384</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

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 30 September 2014.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2014</i> <i>(Unaudited)</i>	<i>2013</i> <i>(Unaudited)</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)	<u>2,841,039</u>	<u>1,821,904</u>	<u>8,142,250</u>	<u>6,422,400</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>495,294,802</u>	<u>495,323,413</u>	<u>495,298,712</u>	<u>495,323,413</u>
Basic and diluted earnings per share	<u>5.74 fils</u>	<u>3.68 fils</u>	<u>16.44 fils</u>	<u>12.97 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>30 September</i> <i>2014</i> <i>(Unaudited)</i> <i>KD</i>	<i>31 December</i> <i>2013</i> <i>(Audited)</i> <i>KD</i>	<i>30 September</i> <i>2013</i> <i>(Unaudited)</i> <i>KD</i>
Cash and cash equivalents	<u>6,790,872</u>	<u>7,285,873</u>	<u>14,096,044</u>
Due to banks contractually due within three months	<u>-</u>	<u>-</u>	<u>(6,195,117)</u>
Cash and cash equivalents	<u>6,790,872</u>	<u>7,285,873</u>	<u>7,900,927</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
Managed quoted portfolios	2,747,800	2,470,957	4,394,447
Managed funds	87,237	454,037	454,037
Unquoted securities	7,921,631	8,393,462	10,510,306
	<u>10,756,668</u>	<u>11,318,456</u>	<u>15,358,790</u>
	<i>30 September 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
Local investments	4,586,417	4,662,902	5,857,603
Foreign investments	6,170,251	6,655,554	9,501,187
	<u>10,756,668</u>	<u>11,318,456</u>	<u>15,358,790</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 49,350 (31 December 2013: KD 261,955, 30 September 2013: KD 275,315) against investments for 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. During the period, the Parent Company recorded an impairment loss of KD 194,694 (31 December 2013, 30 September 2013: Nil) against investments for prolonged decline in value.

Unquoted securities amounting to KD 7,826,819 (31 December 2013: KD 7,900,810, 30 September 2013: KD 7,106,987) 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 22,272 (31 December 2013: KD 497,470, 30 September 2013: Nil) in the interim condensed consolidated statement of income.

Unquoted equity securities amounting to KD 94,812 (31 December 2013: KD 492,652, 30 September 2013: KD 666,104) 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, 30 September 2013 : KD 2,737,215) 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 4,466,215, 30 September 2013: KD 1,729,000) in the interim condensed consolidated statement of income.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2014

### 7 INVESTMENT PROPERTIES

	<i>30 September 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
At 1 January	142,831,144	143,705,580	143,705,580
Additions	2,904,836	803,581	824,106
Depreciation	(1,318,282)	(1,757,603)	(1,318,126)
Foreign currency translation adjustment	24,653	79,586	(5,817)
	<u>144,442,351</u>	<u>142,831,144</u>	<u>143,205,743</u>

Investment properties with a carrying value of KD 4,898,246 (31 December 2013: KD 4,898,246, 30 September 2013: 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.

### 8 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 September 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
At 1 January	114,424,387	125,705,540	125,705,540
Loans received	10,000,000	7,000,000	8,000,000
Loans repaid	(9,194,894)	(19,544,160)	(5,712,079)
Foreign currency translation adjustment	(1,621,581)	1,263,007	799,033
	<u>113,607,912</u>	<u>114,424,387</u>	<u>128,792,494</u>
	<i>30 September 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
Local Islamic financing	88,187,500	86,750,000	101,437,500
Foreign commercial financing	25,420,412	27,674,387	27,354,994
	<u>113,607,912</u>	<u>114,424,387</u>	<u>128,792,494</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 December 2013: 1.5% to 1.75%, 30 September 2013: 1.5% to 1.75% 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%, 30 September 2013: 1.5% to 2% per annum) over Euribor.

The average profit rate attributable to Islamic financing during the period is 1.5% per annum (31 December 2013: 1.75%, 30 September 2013: 1.75% 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.



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2014

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

30 September 2013 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed quoted portfolios	4,394,447	-	-	4,394,447
Managed funds	-	454,037	-	454,037
Unquoted securities	-	-	3,403,319	3,403,319
	<u>4,394,447</u>	<u>454,037</u>	<u>3,403,319</u>	<u>8,251,803</u>

During the period ended 30 September 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:

	At 1 January 2014 KD	Income/(loss) recorded in the consolidated income statement KD	Gain/(loss) recorded in equity KD	Net purchases, (sales), transfers and settlements KD	At 30 September 2014 KD
<i>Financial assets available for sale</i>					
Unquoted securities	492,651	-	-	(397,839)	94,812
	At 1 January 2013 KD	Loss recorded in the consolidated income statement KD	Gain recorded in equity KD	Net purchases, (sales), transfers and settlements KD	At 31 December 2013 KD
<i>Financial assets available for sale</i>					
Unquoted securities	5,132,319	(5,073,812)	434,144	-	492,651
	At 1 January 2013 KD	Loss recorded in the consolidated income statement KD	Gain/(Loss) recorded in equity KD	Net purchases, (sales), transfers and settlements KD	At 30 September 2013 KD
<i>Financial assets available for sale</i>					
Unquoted securities	5,132,319	(1,729,000)	-	-	3,403,319

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)**

At 30 September 2014

**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.





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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2014

12 SEGMENTAL INFORMATION (continued)

	Nine months ended 30 September 2014 (Unaudited)			Nine months ended 30 September 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	12,275,213	8,749,327	11,852,253	12,088,010	9,695,929	11,535,260
Segment operating costs	(2,144,596)	(3,624,274)	(8,565,279)	(1,689,566)	(3,811,989)	(8,252,268)
Segment gross profit	10,130,617	5,125,053	3,286,974	10,398,444	5,883,940	3,282,992
Share in joint venture's results	1,530,552	-	-	2,075,368	-	-
Depreciation	(2,351,168)	(1,294,283)	(807,967)	(2,311,147)	(1,479,290)	(890,722)
Other operating expenses	(2,311,835)	(647,958)	(989,272)	(1,668,254)	(809,476)	(984,792)
Finance costs	(2,423,884)	(54,472)	(889,318)	(3,497,847)	(64,731)	(1,060,113)
Foreign tax	(538,385)	-	(227,151)	(624,314)	-	(169,194)
Segment results	4,035,897	3,128,340	373,266	4,372,250	3,530,443	178,171
Interest income						
Investment income			206,308			193,737
Impairment loss on financial assets available for sale			766,137			335,384
Other non-operating income			(266,316)			(2,004,315)
KFAS, NLIST and Zakat			336,480			118,869
			(383,666)			(287,079)
Profit for the period			8,196,446			6,437,460

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2014

12 SEGMENTAL INFORMATION (continued)

	30 September 2014 (Unaudited)			31 December 2013 (Audited)			30 September 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	223,115,679	5,944,558	41,670,426	270,730,663	225,413,871	6,108,600	42,752,826	274,275,297	235,422,515	5,164,616	43,449,758	284,036,889
Total liabilities	101,559,707	2,599,287	26,227,359	130,386,353	99,652,315	2,723,785	28,692,957	131,069,057	119,432,982	2,164,912	28,263,858	149,861,752
Capital expenditure	3,672,890	-	165,313	3,838,203	1,739,862	-	281,064	2,020,926	1,619,662	-	186,471	1,806,133

**13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<i>30 September 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
Letters of guarantee	16,761,566	16,761,566	16,761,566
Construction projects	14,565,878	18,332,578	14,192,071
	<u>31,327,444</u>	<u>35,094,144</u>	<u>30,953,637</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>30 September 2014 (Unaudited) KD</i>	<i>31 December 2013 (Audited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
Staff receivables	-	102,162	102,162	287,088	305,742

**Compensation of key management personnel**

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

	<i>30 September 2014 (Unaudited) KD</i>	<i>30 September 2013 (Unaudited) KD</i>
Short-term benefits	563,401	373,217
Employees' end of service benefits	77,900	80,213
	<u>641,301</u>	<u>453,430</u>

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

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 30 September 2014

### 15 SUBSIDIARIES

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	30 September 2014	31 December 2013		
<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.	100.00%	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 30 September 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.