

**SALHIA REAL ESTATE COMPANY
K.S.C. (CLOSED) AND SUBSIDIARIES**

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

31 MARCH 2012

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Salhia Real Estate Company K.S.C. (Closed) (the “Parent Company”) and its subsidiaries (collectively “the Group”) as at 31 March 2012, 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 the interim condensed consolidated financial information in accordance with International Accounting Standards IAS 34 “Interim Financial Reporting.” Our responsibility is to express a conclusion on the 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 un-reviewed management accounts, as reviewed interim financial information is not available in respect to this joint venture. The carrying value of the joint venture included in the interim condensed consolidated financial position amounts to KD 10,172,294 and the share of the joint venture’s results for the three months periods ended 31 March 2012 included in the interim condensed consolidated income statement is a loss of KD 435,395.

Qualified Conclusion

Based on our review, except of 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. (CLOSED) (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 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 Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company have occurred during the three months period ended 31 March 2012 that might have had a material effect on the business of the Parent Company or on its financial position.



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15 May 2012
Kuwait

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 31 March 2012

	Notes	Three months ended	
		31 March 2012 (Unaudited) KD	31 March 2011 (Unaudited) KD
Revenues		11,342,298	11,832,878
Operating costs		(4,522,415)	(4,487,576)
Gross profit		6,819,883	7,345,302
Share in joint venture's results		(435,395)	993,581
Share of associate's results		-	(346,548)
General and administrative expenses		(1,442,417)	(1,674,024)
Depreciation		(1,544,985)	(1,572,172)
Sales and marketing expenses		(210,953)	(148,150)
Investment income	3	1,145,721	470,163
Foreign exchange gain		24,833	19,337
Interest income		11,286	185,570
Other income		25,987	46,327
Impairment loss on financial assets available for sale		-	(1,069,636)
Impairment loss on investment properties		-	(928,530)
Finance costs		(1,812,453)	(965,589)
Profit before tax		2,581,507	2,355,631
Foreign tax		(183,204)	(399,343)
Profit before provision for contribution to KFAS, NLST and Zakat		2,398,303	1,956,288
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(22,738)	(19,483)
Provision for National Labour Support Tax (NLST)		(63,163)	(43,310)
Provision for Zakat		(22,738)	(19,483)
Profit for the period		2,289,664	1,874,012
Attributable to:			
Equity holders of the Parent Company		2,286,502	1,866,064
Non-controlling interests		3,162	7,948
		2,289,664	1,874,012
Basic and diluted earnings per share attributable to equity holders of the Parent Company	4	4.62 Fils	4.60 fils

The attached notes 1 to 16 form an integral part of the interim condensed consolidated financial information.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2012

	<i>Three months ended</i>	
	<i>31 March 2012 (Unaudited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Profit for the period	2,289,664	1,874,012
Other comprehensive income:		
Net movement in cumulative changes in fair value	1,375,915	(363,283)
Realised gain on sale of financial assets available for sale	(1,091,864)	(217,428)
Impairment loss transferred to interim condensed consolidated statement of income	-	1,069,636
Exchange differences arising on translation of foreign operations	643,653	1,551,368
Other comprehensive income for the period	927,704	2,040,293
Total comprehensive income for the period	3,217,368	3,914,305
Attributable to:		
Equity holders of the Parent Company	3,145,738	3,813,231
Non-controlling interests	71,630	101,074
	3,217,368	3,914,305

The attached notes 1 to 16 form an integral part of the interim condensed consolidated financial information.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
 POSITION (UNAUDITED)

At 31 March 2012

	Notes	31 March 2012 (Unaudited) KD	31 December 2011 (Audited) KD	31 March 2011 (Unaudited) KD
ASSETS				
Cash and cash equivalents	5	3,806,758	4,517,511	7,795,814
Fixed deposits		3,382,640	3,275,925	-
Inventories		359,337	334,955	310,728
Accounts receivable and other assets		9,748,261	4,754,484	7,995,019
Financial assets available for sale	6	24,253,372	22,975,563	24,321,583
Investment in joint venture		10,172,294	10,439,964	10,404,565
Investment properties	7	144,749,840	143,038,397	64,778,828
Property and equipment		89,900,725	91,438,106	97,130,879
TOTAL ASSETS		286,373,227	280,774,905	212,737,416
LIABILITIES, DEFERRED GAIN AND TOTAL EQUITY				
LIABILITIES				
Due to banks and a financial institution	8	8,373,018	14,609,561	2,197,986
Accounts payable and other liabilities		15,424,386	15,019,277	16,392,703
Commercial financing	9	38,310,477	41,160,589	63,523,282
Islamic financing	9	90,312,500	79,250,000	-
TOTAL LIABILITIES		152,420,381	150,039,427	82,113,971
DEFERRED GAIN		-	-	14,700,670
EQUITY				
Share capital	10	51,272,341	51,272,341	40,592,531
Share premium		35,055,163	35,055,163	27,524,906
Treasury shares	11	(3,941,495)	(3,941,495)	(3,683,504)
Treasury shares reserve	11	1,817,810	1,817,810	1,811,197
Statutory reserve		20,489,290	20,489,290	19,727,484
Voluntary reserve		20,489,290	20,489,290	19,727,484
Other reserve		(663,600)	-	-
Retained earnings		10,602,443	8,315,941	11,533,848
Fair value reserve		(552,702)	(836,753)	(936,663)
Foreign currency translation reserve		(3,332,760)	(2,539,533)	(1,014,284)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		131,235,780	130,122,054	115,282,999
Non-controlling interests	12	2,717,066	613,424	639,776
TOTAL EQUITY		133,952,846	130,735,478	115,922,775
TOTAL LIABILITIES, DEFERRED GAIN AND TOTAL EQUITY		286,373,227	280,774,905	212,737,416


 Ghazi F. Alnafisi
 Chairman & Managing Director

The attached notes 1 to 16 form an integral part of the interim condensed consolidated financial information.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2012

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Subtotal KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2012 (Audited)	51,272,341	35,055,163	1,817,810	20,489,290	20,489,290	20,489,290	-	8,315,941	(836,753)	(2,539,533)	130,122,054	613,424	130,735,478
Profit for the period	-	-	-	-	-	-	-	2,286,502	-	-	2,286,502	3,162	2,289,664
Other comprehensive income	-	-	-	-	-	-	-	-	284,051	575,185	859,236	68,468	927,704
Total comprehensive income	-	-	-	-	-	-	-	2,286,502	284,051	575,185	3,145,738	71,630	3,217,368
Acquisition of additional shares in a subsidiary (Note 15)	-	-	-	-	-	-	(2,032,012)	-	-	-	(2,032,012)	2,032,012	-
Other adjustment in a subsidiary	-	-	-	-	-	-	1,368,412	-	-	(1,368,412)	-	-	-
Balance at 31 March 2012	51,272,341	35,055,163	1,817,810	20,489,290	20,489,290	20,489,290	(663,600)	10,602,443	(552,702)	(3,332,760)	131,235,780	2,717,066	133,952,846
Balance at 1 January 2011 (Audited)	40,592,531	27,524,906	1,807,235	19,727,484	19,727,484	19,727,484	-	9,667,784	(1,425,588)	(2,472,526)	111,710,279	538,702	112,248,981
Profit for the period	-	-	-	-	-	-	-	1,866,064	-	-	1,866,064	7,948	1,874,012
Other comprehensive income	-	-	-	-	-	-	-	-	488,925	1,458,242	1,947,167	93,126	2,040,293
Total comprehensive income	-	-	-	-	-	-	-	1,866,064	488,925	1,458,242	3,813,231	101,074	3,914,305
Purchase of treasury shares	-	-	3,962	-	-	-	-	-	-	-	(240,511)	-	(240,511)
Balance at 31 March 2011	40,592,531	27,524,906	1,811,197	19,727,484	19,727,484	19,727,484	-	11,533,848	(936,663)	(1,014,284)	115,282,999	639,776	115,922,775

The attached notes 1 to 16 form an integral part of the interim condensed consolidated financial information.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 31 March 2012

	<i>Three months ended</i>	
	<i>31 March 2012 (Unaudited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
OPERATING ACTIVITIES		
Profit before provision for contribution to KFAS, NLST and Zakat	2,398,303	1,956,288
Adjustments for:		
Share in joint venture's results, net of tax	567,817	(674,916)
Share of associate's results	-	346,548
Depreciation	1,544,985	1,572,172
Provision for employees' end of service benefits	439,072	86,563
Investment income	(1,145,721)	(470,163)
Foreign exchange gain	(24,833)	(19,337)
Interest income	(11,286)	(185,570)
Impairment loss on financial assets available for sale	-	1,069,636
Impairment loss on investment properties	-	928,530
Finance costs	1,812,453	965,589
	<u>5,580,790</u>	<u>5,575,340</u>
Change in operating assets and liabilities:		
Inventories	(24,382)	(5,618)
Accounts receivable and other assets	(4,993,777)	(1,560,293)
Accounts payable and other liabilities	(118,515)	(600,762)
	<u>444,116</u>	<u>3,408,667</u>
Cash from operations	444,116	3,408,667
Employees' end of service benefits paid	(63,784)	(15,535)
	<u>380,332</u>	<u>3,393,132</u>
Net cash from operating activities	380,332	3,393,132
INVESTING ACTIVITIES		
Purchase of financial assets available for sale	(15,464)	(1,891,393)
Proceeds from sale of financial assets available for sale	113,570	611,577
Additions to investment properties and property and equipment	(471,051)	(76,265)
Investment income received	53,857	252,735
Dividends received from joint venture	-	872,000
Interest income received	11,286	185,570
Term deposits	(106,715)	-
	<u>(414,517)</u>	<u>(45,776)</u>
Net cash used in investing activities	(414,517)	(45,776)
FINANCING ACTIVITIES		
Purchase of treasury shares	-	(285,162)
Proceeds from sale of treasury shares	-	44,651
Bank loans received	12,708,144	-
Bank loans repaid	(5,350,642)	(2,529,994)
Finance costs paid	(1,797,901)	(966,430)
	<u>5,559,601</u>	<u>(3,736,935)</u>
Net cash from (used in) financing activities	5,559,601	(3,736,935)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,525,416	(389,579)
Cash and cash equivalents at the beginning of the period	(9,670,948)	6,240,099
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(4,145,532)	5,850,520

5

The attached notes 1 to 16 form an integral part of the interim condensed consolidated financial information.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

1 ACTIVITIES

Salhia Real Estate Company K.S.C. (Closed) (the "Parent Company") is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. The Group's (comprising the Parent Company and its subsidiaries) main activities include real estate leasing and development of commercial property hotel operations in Kuwait and the operation of care homes in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

The Parent Company's registered address is Salhia Complex, Mohammed Thunayan Al-Ghanim Street, P.O. Box 23413 Safat 13095 Kuwait.

The Group's interim condensed consolidated financial information for the period ended 31 March 2012 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 15 May 2012.

2 BASIS OF PREPARATION AND 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 accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in preparation of annual consolidated financial statements for the year ended 31 December 2011.

The revised standards and new amendments, which are effective for the annual accounting period starting 1 January 2012, did not have a significant impact on the Group's interim condensed consolidated financial information.

The interim condensed consolidated financial information are 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 the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three months ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2011.

3 INVESTMENT INCOME

	<i>Three months ended</i>	
	<i>31 March 2012 (Unaudited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Gain on sale of financial assets available for sale	1,091,864	217,428
Dividend income	53,842	252,485
Interest income from managed portfolio	15	250
	<u>1,145,721</u>	<u>470,163</u>

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2012

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 2012.

	<i>Three months ended</i>	
	<i>31 March 2012 (Unaudited)</i>	<i>31 March 2011 (Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>2,286,502</u>	<u>1,866,064</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>495,323,413</u>	<u>405,717,612</u>
Basic and diluted earnings per share	<u>4.62 fils</u>	<u>4.60 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 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Cash and bank balances	<u>3,806,758</u>	<u>4,255,114</u>	<u>4,781,002</u>
Fixed deposits (maturing within three months)	<u>-</u>	<u>262,397</u>	<u>3,014,812</u>
Cash and cash equivalents as per interim condensed consolidated statement of financial position	<u>3,806,758</u>	<u>4,517,511</u>	<u>7,795,814</u>
Due to banks contractually due within three months (Note 8)	<u>(7,952,290)</u>	<u>(14,188,459)</u>	<u>(1,945,294)</u>
Cash and cash equivalents	<u>(4,145,532)</u>	<u>(9,670,948)</u>	<u>5,850,520</u>

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Managed portfolios	9,197,158	7,309,804	8,243,474
Managed funds	471,956	471,956	543,904
Unquoted securities	14,584,258	15,193,803	15,534,205
	<u>24,253,372</u>	<u>22,975,563</u>	<u>24,321,583</u>

	<i>31 March 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Local investments	9,334,340	7,563,298	8,346,446
Foreign investments	14,919,032	15,412,265	15,975,137
	<u>24,253,372</u>	<u>22,975,563</u>	<u>24,321,583</u>

Managed 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 2011: KD 1,069,636) against local investments for significant or prolonged decline in value.

Managed portfolios include an investment portfolio with a carrying value of KD 974,698 (31 December 2011: KD 880,165, 31 March 2011: KD 985,429) managed by a foreign financial institution which was partly funded by a short-term facility amounting to KD 420,728 (31 December 2011: KD 421,102, 31 March 2011: KD 252,692) obtained from the same foreign financial institution. The facility is secured by the investment portfolio (Note 8).

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 8,007,957 (31 December 2011: KD 8,017,502, 31 March 2011: KD 8,258,939) 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.

Unquoted securities include an investment with a carrying value of KD 6,576,301 (31 December 2011: KD 7,176,301, 31 March 2011: KD 7,271,145) in a regional company (the "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. The Chapter 11 plan of reorganisation is underway and in the opinion of management, based on currently available information, there is no valid evidence of any impairment in the value of this unquoted investment at 31 March 2012.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

7 INVESTMENT IN PROPERTIES

	<i>31 March 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
At 1 January	143,038,397	66,078,372	66,078,372
Investment property arising from asset acquisition of Al Asima	-	80,186,517	-
Transferred from property and equipment	1,804,846	-	-
Other additions	172,265	363,805	-
Depreciation	(439,277)	(1,745,585)	(436,388)
Impairment loss	-	(1,785,312)	(928,530)
Foreign currency translation adjustment	173,609	(59,400)	65,374
	<u>144,749,840</u>	<u>143,038,397</u>	<u>64,778,828</u>

8 DUE TO BANKS AND A FINANCIAL INSTITUTION

	<i>31 March 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 September 2011 (Unaudited) KD</i>
Due to banks (Note 5)	7,952,290	14,188,459	1,945,294
Due to a financial institution	420,728	421,102	252,692
	<u>8,373,018</u>	<u>14,609,561</u>	<u>2,197,986</u>

Due to a financial institution represents a short-term facility obtained from a foreign financial institution to fund investments purchased through the same foreign financial institution (Note 6). The facility is secured by the investment portfolio with a carrying value of KD 974,698 (31 December 2011: KD 880,165, 31 March 2011: KD 985,429) managed by the foreign financial institution. Under the terms of the facility agreement, repayments of the facility will be funded by the proceeds from sale of investments in the portfolio.

9 COMMERCIAL AND ISLAMIC FINANCING

	<i>31 March 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
At 1 January	120,410,589	64,376,959	64,376,959
Loans received	12,708,144	23,000,000	-
Loan arising from acquisition of Al Asima	-	53,000,000	-
Loans repaid	(5,350,642)	(19,075,760)	(2,529,994)
Foreign currency translation adjustment	854,886	(890,610)	1,676,317
	<u>128,622,977</u>	<u>120,410,589</u>	<u>63,523,282</u>

During the period, the Parent Company obtained two unsecured Murabaha deals amounting to KD 12,000,000 from local Islamic banks with average profit rate of 4.5% per annum.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

10 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

As at 31 March 2012, the authorized share capital consists of 513,801,307 shares (31 December 2011: 513,801,307 shares, 31 March 2011: 405,925,305 shares), and paid up capital of the Parent Company consists of 512,723,413 shares of 100 fils each (31 December 2011: 512,723,413 shares, 31 March 2011: 405,925,305 shares).

At the annual general assembly of the shareholders of the Parent Company held on 9 April 2012, the shareholders approved the distribution of cash dividends of 15 fils per share (2010: 20 fils per share) for shareholders registered on that date.

At the extraordinary assembly of the shareholders of the Parent Company held on 9 April 2012, the shareholders have approved the reductions of share capital from 513,801,307 shares to 512,723,413 shares of 100 fils each.

11 TREASURY SHARES

At 31 March 2012 the Parent Company held 17,400,000 of its own shares (31 December 2011: 17,400,000, 31 March 2011: 16,140,000), equivalent to 3.39% (31 December 2011: 3.39%, 31 March 2011: 3.98%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 3,932,400 (31 December 2011: KD 3,584,400, 31 March 2011: KD 4,035,000). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

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. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2012

12 SEGMENTAL INFORMATION (continued)

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

	Three months ended 31 March 2012 (Unaudited)			Three months ended 31 March 2011 (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	4,225,102	3,351,583	3,765,613	4,124,556	3,876,271	3,832,051
Segment operating costs	(555,071)	(1,284,549)	(2,682,795)	(487,844)	(1,282,739)	(2,716,993)
Segment gross profit	3,670,031	2,067,034	1,082,818	3,636,712	2,593,532	1,115,058
Share in joint venture's results	(435,395)	-	-	993,581	-	-
Share of associate's results	-	-	-	(346,548)	-	-
Depreciation	(767,916)	(483,120)	(293,949)	(782,815)	(478,284)	(311,073)
Impairment loss on investment properties	-	-	-	(928,530)	-	-
Other operating expenses	(1,045,234)	(293,424)	(314,712)	(1,220,939)	(324,179)	(277,057)
Finance costs	(1,373,940)	(29,197)	(409,316)	(485,480)	(25,649)	(454,460)
Foreign tax	(133,382)	-	(49,822)	(318,665)	-	(80,678)
Segment results	(85,836)	1,261,293	15,019	547,316	1,765,420	(8,210)
Interest income						
Investment income			11,286			185,570
Impairment loss on financial assets available for sale			1,145,721			470,163
Other non-operating income			-			(1,069,636)
KFAS, NLSI and Zakat			50,820			65,665
			(108,639)			(82,276)
Profit for the period			2,289,664			1,874,012

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 31 March 2012

13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>31 March 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Letters of guarantee	16,714,667	16,714,667	16,667,615
Construction projects	16,291,961	16,291,961	14,979,447
	<u>33,006,628</u>	<u>33,006,628</u>	<u>31,647,062</u>

14 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, associates and joint venture entities, 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>Joint venture KD</i>	<i>Other KD</i>	<i>31 March 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Amounts due from related parties	-	4,422,822	-	4,422,822	-	1,628,647
Staff receivables	250,267	-	515,110	765,377	804,005	724,750

Compensation of key management personnel

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

	<i>31 March 2012 (Unaudited) KD</i>	<i>31 March 2011 (Unaudited) KD</i>
Short-term benefits	419,193	409,547
Employees' end of service benefits	229,498	33,181
	<u>648,691</u>	<u>442,728</u>

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

At 31 March 2012

15 SUBSIDIARIES

Details of subsidiaries are set out below:

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	31 March 2012	31 December 2011		
<i>Directly held:</i>				
Haddia Holding GMBH	90.89%	90.89%	Germany	Holding company
Drawbridge Securities Limited	50.00%	50.00%	United Kingdom	Property development
Ingelby Limited	100.00%	50.00%	United Kingdom	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	100.00%	100.00%	Kuwait	Project management
Al Asima Real Estate Company K.S.C	99.73%	99.73%	Kuwait	Real estate
Salhia International Investments Limited	100.00%	-	United Kingdom	Real estate
<i>Held through Haddia Holding GMBH:</i>				
SAREC GMBH	100.00%	100.00%	Germany	Leasing of properties Company for further operations
DANA Lebensstil GmbH	50.00%	50.00%	Germany	
Dana Senioreneinrichtungen GMBH	40.00%	40.00%	Germany	Care home operator
Dana Ambulante Pflegedienste GMBH	40.00%	40.00%	Germany	Care home service provider
Dana Services GMBH (Gredo GMBH) <i>Held through Salhia International Investments Limited:</i>	40.00%	40.00%	Germany	Care home catering service provider
Salhia Jersey Limited	100.00%	-	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	100.00%	-	United Kingdom	Real estate

During the period ended 31 March 2012, 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.

During the period, the Group has acquired additional interest of 50% in Ingelby Limited for no consideration. Accordingly, an amount of KD 2,032,012 has been recognised in other reserves in equity.

During the period, the Group has incorporated Salhia International Investments Limited, Salhia Jersey Limited and Salhia Investments Birmingham Limited) for immaterial purchase consideration.