

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

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

31 MARCH 2013

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 2013 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 Standard 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 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 13,263,000 (31 March 2012: KD 10,172,294) and the share of the joint venture’s results for the three months period ended 31 March 2013 included in the interim condensed consolidated income statement is a gain of KD 656,570 (31 March 2012: Loss of KD 435,395).

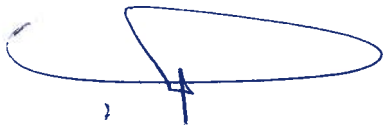
Qualified Conclusion

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. (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 accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 25 of 2012, as amended, or of the parent Company's Articles of Association and Memorandum of Incorporation that might have had a material effect on the business of the Group or on its financial position during the three month period ended 31 March 2013.



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



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

8 May 2013
Kuwait

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 31 March 2013

	<i>Three months ended</i>	
	<i>31 March 2013 (Unaudited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
	<i>Notes</i>	
Revenues	11,767,471	11,342,298
Operating costs	(4,447,432)	(4,522,415)
Gross profit	7,320,039	6,819,883
Share in joint venture's results	656,570	(435,395)
General and administrative expenses	(1,398,066)	(1,442,417)
Depreciation	(1,558,255)	(1,544,985)
Sales and marketing expenses	(197,990)	(210,953)
Investment income	3 110,674	1,145,721
Foreign exchange (loss) gain	(133,708)	24,833
Interest income	85,428	11,286
Other income	14,419	25,987
Impairment loss on financial assets available for sale	(483,315)	-
Finance costs	(1,526,075)	(1,812,453)
Profit before tax	2,889,721	2,581,507
Foreign tax	(238,252)	(183,204)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST AND Zakat	2,651,469	2,398,303
Contribution to Kuwait Foundation for the Advancement of sciences (KFAS)	(26,343)	(22,738)
National Labour Support Tax (NLST)	(65,857)	(63,163)
Zakat	(26,343)	(22,738)
PROFIT FOR THE PERIOD	2,532,926	2,289,664
Attributable to:		
Equity holders of the Parent Company	2,515,750	2,286,502
Non-controlling interests	17,176	3,162
	2,532,926	2,289,664
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	4 5.1 fils	4.6 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 2013

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2013</i>	<i>2012</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	2,532,926	2,289,664
Other comprehensive (loss) income to be reclassified to consolidated income statement in subsequent periods:		
Net movement in cumulative changes in fair value	135,352	1,375,915
Realised loss on sale of financial assets available for sale	(26,622)	(1,091,864)
Impairment loss transferred to interim condensed consolidated statement of income	83,315	-
Exchange differences arising on translation of foreign operations	(1,035,620)	643,653
Net other comprehensive (loss) income to be reclassified to consolidated income statement in subsequent periods	(843,575)	927,704
Total comprehensive income for the period	1,689,351	3,217,368
Attributable to:		
Equity holders of the Parent Company	1,717,049	3,145,738
Non-controlling interests	(27,698)	71,630
	1,689,351	3,217,368

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 2013

	Notes	31 March 2013 (Unaudited) KD	31 December 2012 (Audited) KD	31 March 2012 (Unaudited) KD
ASSETS				
Cash and cash equivalents	5	10,599,820	7,397,712	3,806,758
Fixed deposits		3,461,212	3,464,317	3,382,640
Inventories		355,240	369,842	359,337
Accounts receivable and other assets		5,087,594	5,024,348	9,748,261
Financial assets available for sale	6	16,817,300	17,008,769	24,253,372
Investment in joint venture		13,263,000	13,312,728	10,172,294
Investment properties	7	143,193,950	143,705,580	144,749,840
Property and equipment		85,982,039	87,498,060	89,900,725
TOTAL ASSETS		278,760,155	277,781,356	286,373,227
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and a financial institution	8	-	2,296,392	8,373,018
Accounts payable and other liabilities		17,233,852	16,906,989	15,424,386
Commercial financing	9	28,402,017	28,705,540	38,310,477
Islamic financing	9	98,562,500	97,000,000	90,312,500
TOTAL LIABILITIES		144,198,369	144,908,921	152,420,381
EQUITY				
Share capital	10	51,272,341	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	11	(3,941,495)	(3,941,495)	(3,941,495)
Treasury shares reserve	11	1,817,810	1,817,810	1,817,810
Statutory reserve		21,368,779	21,368,779	20,489,290
Voluntary reserve		20,489,290	20,489,290	20,489,290
Other reserve		(663,600)	(663,600)	(663,600)
Retained earnings		10,776,887	8,261,137	10,602,443
Fair value reserve		(1,648,475)	(1,840,520)	(552,702)
Foreign currency translation reserve		(2,625,274)	(1,634,528)	(3,332,760)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		131,901,426	130,184,377	131,235,780
Non-controlling interests		2,660,360	2,688,058	2,717,066
TOTAL EQUITY		134,561,786	132,872,435	133,952,846
TOTAL LIABILITIES AND EQUITY		278,760,155	277,781,356	286,373,227

Ghazi Fahad Alnafisi
Chairman

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

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 2013

	Attributable to equity holders of the Parent Company										Non-controlling interests	Total equity		
	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	Subtotal KD
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	-	-	-	-	-	-	-	-	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	-	(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
Balance at 1 January 2012 (Audited)	51,272,341	35,055,163	-	(3,941,495)	1,817,810	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 16)	-	-	-	-	-	-	-	(2,032,012)	-	-	-	(2,032,012)	2,032,012	-
Other adjustment in a subsidiary (Note 16)	-	-	-	-	-	-	-	1,368,412	-	-	(1,368,412)	-	-	-
Balance at 31 March 2012	51,272,341	35,055,163	-	(3,941,495)	1,817,810	20,489,290	(663,600)	10,602,443	(552,702)	(3,332,760)	131,235,780	2,717,066	133,952,846	

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 2013

	<i>Three months ended</i>	
	<i>31 March</i>	
	2013	2012
	(Unaudited)	(Unaudited)
	KD	KD
OPERATING ACTIVITIES	<i>Note</i>	
Profit before provision for contribution to KFAS, NLST and Zakat		2,651,469
Adjustments for:		
Share in joint venture's results, net of tax		(478,896)
Depreciation		1,558,255
Provision for employees' end of service benefits		271,155
Investment income		(110,674)
Foreign exchange loss (gain)		133,708
Interest income		(85,428)
Impairment loss on financial assets available for sale		483,315
Finance costs		1,526,075
		<u>5,948,979</u>
Change in operating assets and liabilities:		5,580,790
Inventories		14,602
Accounts receivable and other assets		(63,246)
Accounts payable and other liabilities		(15,912)
		<u>444,116</u>
Cash from operations		5,884,423
Employees' end of service benefits paid		(426,332)
KFAS paid		(79,154)
Directors remuneration paid		(120,000)
		<u>380,332</u>
Net cash from operating activities		5,258,937
INVESTING ACTIVITIES		
Purchase of financial assets available for sale		(120,973)
Proceeds from sale of financial assets available for sale		26,622
Additions to investment properties and property and equipment		(477,104)
Proceeds from sale of investment properties and fixed assets		1,465
Investment income received		84,052
Interest income received		85,428
Term deposits		3,105
		<u>(397,405)</u>
Net cash used in investing activities		(414,517)
FINANCING ACTIVITIES		
Bank loans received		3,490,077
Bank loans repaid		(1,710,103)
Finance costs paid		(1,143,006)
		<u>5,559,601</u>
Net cash from financing activities		5,559,601
INCREASE IN CASH AND CASH EQUIVALENTS		<u>5,498,500</u>
Cash and cash equivalents at the beginning of the period		5,101,320
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u><u>10,599,820</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2013

1 CORPORATE INFORMATION:

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, hotels 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 2013 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 8 May 2013.

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 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 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2012.

Signification accounting policies

Adoption of new IASB Standards and amendments during the period

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 2012, except for the adoption of the new and amended International Financial Reporting Standards that have become effective from 1 January 2013 and those which are applicable to the Group:

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Adoption of new IASB Standards and amendments during the period (continued)

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. The application of the standard does not have an impact on the financial position of the Group.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of the standard does not have an impact on the financial position of the Group.

IFRS 12 – Disclosure of Involvement with Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to disclose information so that financial statements users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of the consolidated entities. The Group will provide additional disclosures in the annual consolidated financial statements.

IFRS 13 – Fair Value measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to income statement at a future point in time (e.g. exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the management and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the management. As a result of this amendment, the Group now also includes disclosure of total segment assets and liabilities as these are reported to the management (see Note 13).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

3 INVESTMENT INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2013</i>	<i>2012</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>
Gain on sale of financial assets available for sale	26,622	1,091,864
Dividend income	84,052	53,857
	<u>110,674</u>	<u>1,145,721</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 2013.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2013</i>	<i>2012</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	2,515,750	2,286,502
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	495,323,413	495,323,413
Basic and diluted earnings per share	<u>5.1 fils</u>	<u>4.6 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>31 December</i>	<i>31 March</i>
	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash and bank balances	10,599,820	7,397,712	3,806,758
Cash and bank balances as per interim condensed consolidated statement of financial position	10,599,820	7,397,712	3,806,758
Due to banks contractually due within three months (Note 8)	-	(2,296,392)	(7,952,290)
Cash and cash equivalents	<u>10,599,820</u>	<u>5,101,320</u>	<u>(4,145,532)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
Managed quoted portfolios	4,520,196	4,284,437	9,197,158
Managed funds	457,798	457,798	471,956
Unquoted securities	11,839,306	12,266,534	14,584,258
	<u>16,817,300</u>	<u>17,008,769</u>	<u>24,253,372</u>
	<i>31 March 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
Local investments	5,794,870	5,534,110	9,334,340
Foreign investments	11,022,430	11,474,659	14,919,032
	<u>16,817,300</u>	<u>17,008,769</u>	<u>24,253,372</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 83,315 (31 March 2012: Nil) 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 7,773,091 (31 December 2012: KD 7,800,319, 31 March 2012: KD 8,007,957) 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 equity securities include an investment with a carrying value of KD 4,066,215 (31 December 2012: KD 4,466,215, 31 March 2012 : KD 6,576,301) 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 400,000 (31 March 2012: Nil) in the condensed consolidated statement of income.

7 INVESTMENT IN PROPERTIES

	<i>31 March 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
At 1 January	143,705,580	143,038,397	143,038,397
Transferred from property and equipment	-	1,867,434	-
Additions	211,474	435,757	1,804,846
Depreciation	(439,347)	(1,757,275)	172,265
Disposals	-	(118,728)	(439,277)
Foreign currency translation adjustment	(283,757)	239,995	173,609
	<u>143,193,950</u>	<u>143,705,580</u>	<u>144,749,840</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

8 DUE TO BANKS AND A FINANCIAL INSTITUTION

	<i>31 March 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
Due to banks (Note 5)	-	2,296,392	7,952,290
Due to a financial institution	-	-	420,728
	<u>-</u>	<u>2,296,392</u>	<u>8,373,018</u>

9 COMMERCIAL AND ISLAMIC FINANCING

	<i>31 March 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
At 1 January	125,705,540	120,410,589	120,410,589
Loans received	3,490,077	22,729,016	12,708,144
Loans repaid	(1,710,603)	(18,295,026)	(5,350,642)
Foreign currency translation adjustment	(520,497)	860,961	854,886
	<u>126,964,517</u>	<u>125,705,540</u>	<u>128,622,977</u>

10 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the annual general assembly of the shareholders of the Parent Company held on 10 April 2013, the shareholders approved the distribution of cash dividends of 15 fils per share (2011: 15 fils per share) amounting to KD 7,429,851 for the year ended 31 December 2012 (2011: KD 7,429,851) for shareholders registered on that date.

In addition, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to voluntary reserve.

As at 31 March 2013, the authorized share capital comprises of 512,723,413 shares (31 December 2012: 512,723,413 shares, 31 March 2012: 513,801,307 shares).

As at 31 March 2013, the issued and paid up capital comprises of 512,723,413 shares at 100 fils per share each (31 December 2012: 512,723,413 shares, 31 March 2012: 512, 723, 413 shares).

11 TREASURY SHARES

At 31 March 2013, the Parent Company held 17,400,000 of its own shares (31 December 2012: 17,400,000, 31 March 2012: 17,400,000), equivalent to 3.39% (31 December 2012: 3.39%, 31 March 2012: 3.39%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 5,742,000 (31 December 2012: KD 6,438,000, 31 March 2012: KD 3,932,400). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

12 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

12 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) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 March 2013	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Managed quoted portfolios	4,520,196	-	-	4,520,196
Managed funds	-	457,798	-	457,798
Unquoted securities	-	-	4,066,215	4,066,215
	<u>4,520,196</u>	<u>457,798</u>	<u>4,066,215</u>	<u>9,044,209</u>
31 December 2012	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Managed quoted portfolios	4,284,437	-	-	4,284,437
Managed funds	-	457,798	-	457,798
Unquoted securities	-	-	4,466,215	4,466,215
	<u>4,284,437</u>	<u>457,798</u>	<u>4,466,215</u>	<u>9,208,450</u>
31 March 2012	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Managed quoted portfolios	9,197,158	-	-	9,197,158
Managed funds	-	471,956	-	471,956
Unquoted securities	-	-	6,576,301	6,576,301
	<u>9,197,158</u>	<u>471,956</u>	<u>6,576,301</u>	<u>16,245,415</u>

During the period ended 31 March 2013, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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At 31 March 2013

13 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 2013

13 SEGMENTAL INFORMATION (continued)

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

	Three months ended 31 March 2013 (Unaudited)			Three months ended 31 March 2012 (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	3,871,586	3,999,177	3,896,708	4,225,102	3,351,583	3,765,613
Segment operating costs	(452,988)	(1,242,676)	(2,751,768)	(555,071)	(1,284,549)	(2,682,795)
Segment gross profit	3,418,598	2,756,501	1,144,940	3,670,031	2,067,034	1,082,818
Share in joint venture's results	656,570	-	-	(435,395)	-	-
Depreciation	(771,278)	(490,926)	(296,051)	(767,916)	(483,120)	(293,949)
Other operating expenses	(846,437)	(435,102)	(314,517)	(1,045,234)	(293,424)	(314,712)
Finance costs	(1,107,645)	(24,186)	(394,244)	(1,373,940)	(29,197)	(409,316)
Foreign tax	(177,674)	-	(60,578)	(133,382)	-	(49,822)
Segment results	1,172,134	1,806,287	79,550	(85,836)	1,261,293	15,019
Interest income						
Investment income			85,428			
Impairment loss on financial assets available for sale			110,674			
Other non-operating (expense) income			(483,315)			
KFAS, NLST and Zakat			(119,289)			
Profit for the period			(118,543)			
			2,532,926			
						1,190,476
						11,286
						1,145,721
						-
						50,820
						(108,639)
						2,289,664

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2013

13 SEGMENTAL INFORMATION (continued)

	<i>Three months ended</i> 31 March 2013 (Unaudited)				<i>31 December 2012 (Audited)</i>				<i>Three months ended</i> 31 March 2012 (Unaudited)			
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>
Total assets	230,618,236	5,843,120	42,298,799	278,760,155	229,587,043	5,510,194	42,684,119	277,781,356	237,581,933	5,400,171	43,391,123	286,373,227
Total liabilities	108,939,622	5,843,120	29,415,627	144,198,369	109,639,385	5,510,194	29,759,342	144,908,921	116,401,483	5,400,171	30,618,727	152,420,381

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 31 March 2013

14 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>31 March 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
Letters of guarantee	16,761,566	16,761,566	16,714,667
Construction projects	14,802,071	14,802,071	16,291,961
	<u>31,563,637</u>	<u>31,563,637</u>	<u>33,006,628</u>

15 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>Other KD</i>	<i>31 March 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
Amounts due from related parties	-	-	-	-	4,422,822
Staff receivables	164,262	181,838	346,100	720,700	765,377

Compensation of key management personnel

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

	<i>31 March 2013 (Unaudited) KD</i>	<i>31 March 2012 (Unaudited) KD</i>
Short-term benefits	329,649	419,193
Employees' end of service benefits	37,878	229,498
	<u>367,527</u>	<u>648,691</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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16 SUBSIDIARIES

<i>Name of the company</i>	<i>Percentage of ownership</i>		<i>Country of incorporation</i>	<i>Principal activity</i>
	<i>31 March 2013</i>	<i>31 December 2012</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
Ingelby Limited (b)	100.00%	100.00%	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	99.75%	99.75%	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%	100%	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	100%	100%	United Kingdom	Real estate

(a) During the period ended 31 March 2013, 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.