

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

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

**30 JUNE 2013**



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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. (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 30 June 2013 and the related interim condensed consolidated statements of income and comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and cash flows for the six 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 13,721,796 (30 June 2012: KD 9,418,502) and the share of the joint venture’s results for the three months and six months periods ended 30 June 2013 included in the interim condensed consolidated income statement is a profit of KD 663,994 and KD 1,320,564 respectively (three months and six months periods ended 30 June 2012 is a loss of KD 744,912 and KD 1,180,307 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. (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 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 six months period ended 30 June 2013.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2013.



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



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

13 August 2013  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 30 June 2013

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
<i>Notes</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>
Revenues	11,307,399	10,876,762	23,074,870	22,219,060
Operating costs	(4,642,793)	(4,587,873)	(9,090,225)	(9,110,289)
Gross profit	6,664,606	6,288,889	13,984,645	13,108,771
Share in joint venture's results	663,994	(744,912)	1,320,564	(1,180,307)
General and administrative expenses	(889,184)	(772,627)	(2,287,251)	(2,215,043)
Depreciation	(1,556,107)	(1,538,566)	(3,114,361)	(3,083,551)
Sales and marketing expenses	(289,913)	(227,868)	(487,903)	(438,822)
Investment income	140,517	888,701	251,191	2,034,422
Foreign exchange gain (loss)	8,160	(65,482)	(125,548)	(40,649)
Interest income	48,399	24,993	133,827	36,279
Other income	55,729	94,162	70,148	120,149
Impairment loss on financial assets available for sale	(828,414)	(12,774)	(1,311,729)	(12,774)
Finance costs	(1,614,459)	(1,762,389)	(3,140,534)	(3,574,842)
Profit before tax	2,403,328	2,172,127	5,293,049	4,753,633
Foreign tax	(258,563)	(86,842)	(496,815)	(270,046)
<b>PROFIT BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT</b>	<b>2,144,765</b>	<b>2,085,285</b>	<b>4,796,234</b>	<b>4,483,587</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(21,830)	(25,471)	(48,173)	(48,209)
National Labour Support Tax (NLST)	(54,575)	(57,361)	(120,432)	(120,523)
Zakat	(21,830)	(25,471)	(48,173)	(48,209)
<b>PROFIT FOR THE PERIOD</b>	<b>2,046,530</b>	<b>1,976,982</b>	<b>4,579,456</b>	<b>4,266,646</b>
Attributable to:				
Equity holders of the Parent Company	2,084,747	2,010,698	4,600,496	4,297,200
Non-controlling interests	(38,217)	(33,716)	(21,040)	(30,554)
	<b>2,046,530</b>	<b>1,976,982</b>	<b>4,579,456</b>	<b>4,266,646</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY</b>	<b>4.2 Fils</b>	<b>4.1 fils</b>	<b>9.3 fils</b>	<b>8.7 fils</b>

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 30 June 2013

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</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>
<b>Profit for the period</b>	<b>2,046,530</b>	1,976,982	<b>4,579,456</b>	4,266,646
<b>Other comprehensive income (loss) to be reclassified to consolidated income statement in subsequent periods:</b>				
Net movement in cumulative changes in fair value				
Realised (gain) loss on sale of financial assets available for sale	(246,623)	(898,179)	(111,272)	477,735
Impairment loss transferred to interim condensed consolidated statement of income	1,299	(796,353)	(25,322)	(1,888,217)
Exchange differences arising on translation of foreign operations	100,051	-	183,366	-
	255,962	(709,958)	(779,658)	(66,306)
<b>Net other comprehensive income (loss) to be reclassified to consolidated income statement in subsequent periods</b>	<b>110,689</b>	(2,404,490)	<b>(732,886)</b>	(1,476,788)
<b>Total comprehensive income (loss) for the period</b>	<b>2,157,219</b>	(427,508)	<b>3,846,570</b>	2,789,858
Attributable to:				
Equity holders of the Parent Company	2,135,344	(229,406)	3,852,393	2,916,330
Non-controlling interests	21,875	(198,102)	(5,823)	(126,472)
	2,157,219	(427,508)	3,846,570	2,789,858

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 30 June 2013

	Notes	30 June 2013 (Unaudited) KD	31 December 2012 (Audited) KD	30 June 2012 (Unaudited) KD
<b>ASSETS</b>				
Cash and cash equivalents	5	10,764,916	7,397,712	5,079,451
Fixed deposits		1,834,841	3,464,317	3,505,040
Inventories		382,539	369,842	369,296
Accounts receivable and other assets		4,818,425	5,024,348	9,999,230
Financial assets available for sale	6	15,985,115	17,008,769	20,555,233
Investment in joint venture		13,721,796	13,312,728	9,418,502
Investment properties	7	143,054,867	143,705,580	144,392,393
Property and equipment		85,804,522	87,498,060	86,982,441
<b>TOTAL ASSETS</b>		<b>276,367,021</b>	<b>277,781,356</b>	<b>280,301,586</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and a financial institution	8	1,262,264	2,296,392	3,012,840
Accounts payable and other liabilities		16,879,312	16,906,989	15,941,879
Commercial financing	9	28,311,291	28,705,540	35,876,382
Islamic financing	9	100,625,000	97,000,000	99,375,000
<b>TOTAL LIABILITIES</b>		<b>147,077,867</b>	<b>144,908,921</b>	<b>154,206,101</b>
<b>EQUITY</b>				
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		5,431,782	8,261,137	5,183,290
Fair value reserve		(1,793,748)	(1,840,520)	(2,247,235)
Foreign currency translation reserve		(2,429,403)	(1,634,528)	(3,878,333)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>126,606,919</b>	<b>130,184,377</b>	<b>123,576,521</b>
Non-controlling interests		2,682,235	2,688,058	2,518,964
<b>TOTAL EQUITY</b>		<b>129,289,154</b>	<b>132,872,435</b>	<b>126,095,485</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>276,367,021</b>	<b>277,781,356</b>	<b>280,301,586</b>

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 30 June 2013

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares 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		Non-controlling interests		Total equity KD
												KD	KD	KD	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	-	-	-	-	-	-	-	4,600,496	-	-	-	(21,040)	4,579,456			
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	46,772	(794,875)	(748,103)	15,217	(732,886)			
Total comprehensive income (loss) Dividends (Note 10)	-	-	-	-	-	-	-	4,600,496 (7,429,851)	46,772	(794,875)	3,852,393 (7,429,851)	(5,823)	3,846,570 (7,429,851)			
<b>Balance at 30 June 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>5,431,782</b>	<b>(1,793,748)</b>	<b>(2,429,403)</b>	<b>126,606,919</b>	<b>2,682,235</b>	<b>129,289,154</b>			
Balance at 1 January 2012 (Audited)	51,272,341	35,055,163	(3,941,495)	1,817,810	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	-	-	-	-	-	-	-	4,297,200	-	-	-	(30,554)	4,266,646			
Other comprehensive (loss) income	-	-	-	-	-	-	-	-	(1,410,482)	29,612	(1,380,870)	(95,918)	(1,476,788)			
Total comprehensive income (loss)	-	-	-	-	-	-	-	4,297,200	(1,410,482)	29,612	2,916,330	(126,472)	2,789,858			
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	(2,032,012)	-	-	-	(2,032,012)	2,032,012	-			
Other adjustment in a subsidiary Dividends (Note 10)	-	-	-	-	-	-	1,368,412	-	-	(1,368,412)	-	-	-			
Balance at 30 June 2012	51,272,341	35,055,163	(3,941,495)	1,817,810	20,489,290	20,489,290	(663,600)	5,183,290	(2,247,235)	(3,878,333)	123,576,521	2,518,964	126,095,485			

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 30 June 2013

	Note	Six months ended 30 June	
		2013 (Unaudited) KD	2012 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit before provision for contribution to KFAS, NLST and Zakat		4,796,234	4,483,587
Adjustments for:			
Share in joint venture's results, net of tax		(937,692)	1,353,218
Depreciation		3,114,361	3,083,551
Provision for employees' end of service benefits		409,352	563,960
Investment income		(251,146)	(2,034,422)
Foreign exchange loss (gain)		125,548	(24,833)
Interest income		(133,827)	(24,993)
Impairment loss on financial assets available for sale		1,311,729	12,774
Finance costs		3,140,534	3,574,842
		<b>11,575,093</b>	<b>10,987,684</b>
Change in operating assets and liabilities:			
Inventories		(12,697)	(34,341)
Accounts receivable and other assets		205,923	(5,243,480)
Accounts payable and other liabilities		(275,841)	437,274
Cash from operations		11,492,478	6,147,137
Employees' end of service benefits paid		(487,702)	(102,401)
KFAS paid		(79,154)	(68,119)
Zakat paid		-	(78,600)
National labour support tax paid		-	(196,900)
Directors remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		<b>10,805,622</b>	<b>5,581,117</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets available for sale		(277,130)	(1,097,042)
Proceeds from sale of financial assets available for sale		61,149	3,982,333
Additions to investment properties and property and equipment		(1,065,582)	(823,741)
Proceeds from sale of investment properties and fixed assets		5,805	-
Investment income received		225,868	144,939
Interest income received		133,827	24,993
Term deposits		1,629,476	(229,115)
Net cash flows used from investing activities		<b>713,413</b>	<b>2,002,367</b>
<b>FINANCING ACTIVITIES</b>			
Bank loans received		6,000,000	25,175,656
Bank loans repaid		(2,720,669)	(10,087,470)
Finance costs paid		(2,967,183)	(3,217,565)
Dividends paid		(7,429,851)	(7,290,159)
Net cash flows (used in) from financing activities		<b>(7,117,703)</b>	<b>4,580,462</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>4,401,332</b>	<b>12,163,946</b>
Cash and cash equivalents at the beginning of the period		5,101,320	(9,670,948)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>9,502,652</b>	<b>2,492,998</b>

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 30 June 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 30 June 2013 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 13 August 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 six months ended 30 June 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.

At 30 June 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 30 June 2013

**3 INVESTMENT INCOME**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</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	(1,299)	796,353	25,323	1,888,217
Dividend income	141,816	91,098	225,868	144,940
Interest income from managed portfolio	-	1,250	-	1,265
	<u>140,517</u>	<u>888,701</u>	<u>251,191</u>	<u>2,034,422</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 30 June 2013.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>2,084,747</u>	<u>2,010,698</u>	<u>4,600,496</u>	<u>4,297,200</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>495,323,413</u>	<u>495,323,413</u>	<u>495,323,413</u>	<u>495,323,413</u>
Basic and diluted earnings per share	<u>4.2 fils</u>	<u>4.1 fils</u>	<u>9.3 fils</u>	<u>8.7 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 June</i>	<i>31 December</i>	<i>30 June</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	<u>10,764,916</u>	<u>7,397,712</u>	<u>5,079,451</u>
Cash and bank balances as per interim condensed consolidated statement of financial position	<u>10,764,916</u>	<u>7,397,712</u>	<u>5,079,451</u>
Due to banks contractually due within three months (Note 8)	<u>(1,262,264)</u>	<u>(2,296,392)</u>	<u>(2,586,453)</u>
Cash and cash equivalents	<u>9,502,652</u>	<u>5,101,320</u>	<u>2,492,998</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 June 2012 (Unaudited) KD</i>
Managed quoted portfolios	4,420,773	4,284,437	6,104,431
Managed funds	454,037	457,798	466,544
Unquoted securities	<b>11,110,305</b>	12,266,534	13,984,258
	<b>15,985,115</b>	17,008,769	20,555,233
	<i>30 June 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 June 2012 (Unaudited) KD</i>
Local investments	5,790,955	5,534,110	6,361,910
Foreign investments	<b>10,194,160</b>	11,474,659	14,193,323
	<b>15,985,115</b>	17,008,769	20,555,233

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 182,729 (30 June 2012: 12,774) 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 7,773,090 (31 December 2012: KD 7,800,319, 30 June 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 3,337,215 (31 December 2012: KD 4,466,215, 30 June 2012 : KD 5,976,301) 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 1,129,000 (30 June 2012: Nil) in the condensed consolidated statement of income.

7 INVESTMENT IN PROPERTIES

	<i>30 June 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 June 2012 (Unaudited) KD</i>
At 1 January	143,705,580	143,038,397	143,038,397
Transferred from property and equipment	-	1,867,434	1,804,143
Additions	497,141	435,757	302,195
Depreciation	(878,731)	(1,757,275)	(878,592)
Disposals	-	(118,728)	-
Foreign currency translation adjustment	(269,123)	239,995	126,250
	<b>143,054,867</b>	143,705,580	144,392,393

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

**8 DUE TO BANKS AND A FINANCIAL INSTITUTION**

	<i>30 June 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 June 2012 (Unaudited) KD</i>
Due to banks (Note 5)	1,262,264	2,296,392	2,586,453
Due to a financial institution	-	-	426,387
	<u>1,262,264</u>	<u>2,296,392</u>	<u>3,012,840</u>

**9 COMMERCIAL AND ISLAMIC FINANCING**

	<i>30 June 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 June 2012 (Unaudited) KD</i>
At 1 January	125,705,540	120,410,589	120,410,589
Loans received	6,000,000	22,729,016	25,175,656
Loans repaid	(2,720,669)	(18,295,026)	(10,087,470)
Foreign currency translation adjustment	(48,580)	860,961	(247,393)
	<u>128,936,291</u>	<u>125,705,540</u>	<u>135,251,382</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 30 June 2013, the authorized, 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 30 June 2013, the Parent Company held 17,400,000 of its own shares (31 December 2012: 17,400,000, 30 June 2012: 17,400,000), equivalent to 3.39% (31 December 2012: 3.39%, 30 June 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 5,829,000 (31 December 2012: KD 6,438,000, 30 June 2012: KD 3,544,680). 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 30 June 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:

<b>30 June 2013</b>	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Managed quoted portfolios	4,420,773	-	-	4,420,773
Managed funds	-	454,037	-	454,037
Unquoted securities	-	-	3,337,215	3,337,215
	<u>4,420,773</u>	<u>454,037</u>	<u>3,337,215</u>	<u>8,212,025</u>
<b>31 December 2012</b>	<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>
<b>30 June 2012</b>	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Managed quoted portfolios	6,104,431	-	-	6,104,431
Managed funds	-	466,544	-	466,544
Unquoted securities	-	-	5,976,301	5,976,301
	<u>6,104,431</u>	<u>466,544</u>	<u>5,976,301</u>	<u>12,547,276</u>

During the period ended 30 June 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  
INFORMATION (UNAUDITED)

At 30 June 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.





## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2013

## 13 SEGMENTAL INFORMATION (continued)

	Three months ended 30 June 2013 (Unaudited)			Three months ended 30 June 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	4,022,057	3,511,877	3,773,465	4,083,336	3,140,482	3,652,944
Segment operating costs	(509,017)	(1,349,977)	(2,783,799)	(648,901)	(1,205,617)	(2,733,355)
Segment gross profit	3,513,040	2,161,900	989,666	3,434,435	1,934,865	919,589
Share in joint venture's results	663,994	-	-	(744,912)	-	-
Depreciation	(770,552)	(491,697)	(293,858)	(768,583)	(485,845)	(284,138)
Other operating expenses	(552,380)	(300,491)	(326,227)	(413,208)	(292,456)	(294,831)
Finance costs	(1,202,982)	(23,859)	(387,618)	(1,349,267)	(25,474)	(387,648)
Foreign tax	(205,199)	-	(53,364)	(39,530)	-	(47,312)
Segment results	1,445,921	1,345,853	(71,401)	118,935	1,131,090	(94,340)
Interest income						
Investment income			48,399			24,993
Impairment loss on financial assets available for sale			140,517			888,701
Other non-operating (expense) income KFAS, NILST and Zakat			(828,414)			(12,774)
			63,889			28,680
			(98,235)			(108,303)
<b>Profit for the period</b>			<b>2,046,530</b>			<b>1,976,982</b>



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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 30 June 2013

**14 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<b>30 June 2013 (Unaudited) KD</b>	<b>31 December 2012 (Audited) KD</b>	<b>30 June 2012 (Unaudited) KD</b>
Letters of guarantee	16,761,566	16,761,566	16,714,667
Construction projects	14,552,071	14,802,071	16,190,000
	<u>31,313,637</u>	<u>31,563,637</u>	<u>32,904,667</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>	<b>30 June 2013 (Unaudited) KD</b>	<b>31 December 2012 (Audited) KD</b>	<b>30 June 2012 (Unaudited) KD</b>
Amounts due from related parties	83,946	-	83,946	-	-
Staff receivables	118,258	183,384	301,642	720,700	720,784

**Compensation of key management personnel**

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

	<b>30 June 2013 (Unaudited) KD</b>	<b>30 June 2012 (Unaudited) KD</b>
Short-term benefits	354,763	420,989
Employees' end of service benefits	81,300	264,281
	<u>436,063</u>	<u>685,270</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 30 June 2013

16 SUBSIDIARIES

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	30 June 2013	31 December 2012		
<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	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 30 June 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.