

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

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

30 SEPTEMBER 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 30 September 2012 and the related interim condensed consolidated statements of income and comprehensive income for the three months and nine months periods then ended, and the related interim condensed statements of changes in equity and cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting 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 management accounts, as reviewed interim financial information is not available in respect of this joint venture. The share of the joint venture’s results for the three months and nine months periods ended 30 September 2012 included in the interim condensed consolidated income statement are a loss of KD 92,498 and KD 1,272,805 respectively.

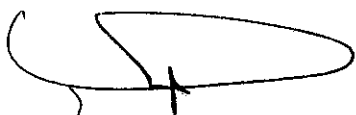
Qualified Conclusion

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.

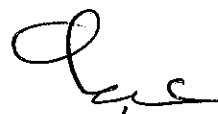
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C. (CLOSED) (continued)

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 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 during the nine months period ended 30 September 2012 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



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

13 November 2012
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 30 September 2012

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
Notes	(Unaudited) KD	(Unaudited) KD	(Unaudited) KD	(Unaudited) KD
Revenues	11,459,598	9,609,849	33,678,658	32,604,419
Operating costs	(5,098,416)	(4,252,566)	(14,208,705)	(13,551,434)
Gross profit	6,361,182	5,357,283	19,469,953	19,052,985
Share in joint venture's results	(92,498)	(248,096)	(1,272,805)	822,337
Share of associate's results	-	-	-	(582,378)
General and administrative expenses	(840,150)	(694,970)	(3,055,193)	(3,140,735)
Depreciation	(1,627,209)	(1,555,823)	(4,710,760)	(4,699,147)
Sales and marketing expenses	(168,459)	(166,778)	(607,281)	(540,482)
Investment income	39,160	155,309	2,073,582	1,248,208
Foreign exchange gain (loss)	191,511	(27,386)	150,862	(3,690)
Interest income	67,144	-	103,423	167,957
Other income	31,044	24,238	151,193	122,106
Impairment loss on financial assets available for sale	(40,567)	(78,340)	(53,341)	(1,361,300)
Impairment loss on investment properties	-	-	-	(1,933,607)
Finance costs	(1,884,419)	(1,976,860)	(5,459,261)	(4,183,199)
Profit before tax	2,036,739	788,577	6,790,372	4,969,055
Foreign tax	(125,723)	(43,340)	(395,769)	(516,465)
Profit before provision for contribution to KFAS, NLST and Zakat	1,911,016	745,237	6,394,603	4,452,590
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(17,661)	(6,782)	(65,870)	(44,081)
Provision for National Labour Support Tax (NLST)	(44,153)	(16,956)	(164,676)	(108,449)
Provision for Zakat	(17,661)	(6,782)	(65,870)	(44,081)
Profit for the period	1,831,541	714,717	6,098,187	4,255,979
Attributable to:				
Equity holders of the Parent Company	1,758,086	647,702	6,055,286	4,211,525
Non-controlling interests	73,455	67,015	42,901	44,454
	1,831,541	714,717	6,098,187	4,255,979
Basic and diluted earnings per share attributable to equity holders of the Parent Company	4	3.5 fils	1.3 fils	12.2 fils
			9.3 fils	

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 September 2012

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2012</i> <i>(Unaudited)</i> <i>KD</i>	<i>2011</i> <i>(Unaudited)</i> <i>KD</i>	<i>2012</i> <i>(Unaudited)</i> <i>KD</i>	<i>2011</i> <i>(Unaudited)</i> <i>KD</i>
Profit for the period	1,831,541	714,717	6,098,187	4,255,979
Other comprehensive income (loss) :				
Net movement in cumulative changes in fair value	(181,872)	(346,639)	295,863	(146,673)
Realised gain on sale of financial assets available for sale	(4,108)	(28,328)	(1,892,325)	(833,857)
Impairment loss transferred to interim condensed consolidated statement of income	-	31,181	-	1,100,817
Exchange differences arising on translation of foreign operations	949,469	(1,151,936)	883,163	748,479
Other comprehensive income (loss) for the period	763,489	(1,495,722)	(713,299)	868,766
Total comprehensive income (loss) for the period	2,595,030	(781,005)	5,384,888	5,124,745
Attributable to:				
Equity holders of the Parent Company	2,459,057	(944,928)	5,375,387	4,834,356
Non-controlling interests	135,973	163,923	9,501	290,389
	2,595,030	(781,005)	5,384,888	5,124,745

The attached notes 1 to 15 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 September 2012

		30 September 2012 (Unaudited) KD	31 December 2011 (Audited) KD	30 September 2011 (Unaudited) KD
ASSETS				
Cash and cash equivalents	5	4,221,603	4,517,511	7,181,125
Fixed deposits		3,434,605	3,275,925	-
Inventories		350,323	334,955	349,995
Accounts receivable and other assets		9,947,450	4,754,484	5,311,309
Financial assets available for sale	6	20,323,216	22,975,563	23,000,924
Investment in joint venture		9,859,566	10,439,964	9,928,201
Investment properties	7	144,199,002	143,038,397	143,221,219
Property and equipment		87,215,831	91,438,106	93,621,996
TOTAL ASSETS		279,551,596	280,774,905	282,614,769
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and a financial institution	8	5,781,606	14,609,561	20,168,111
Accounts payable and other liabilities		15,226,957	15,019,277	16,151,085
Commercial financing	9	31,415,018	41,160,589	49,969,828
Islamic financing	9	98,437,500	79,250,000	68,187,500
TOTAL LIABILITIES		150,861,081	150,039,427	154,476,524
EQUITY				
Share capital	10	51,272,341	51,272,341	51,272,343
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	11	(3,941,495)	(3,941,495)	(3,892,790)
Treasury shares reserve	11	1,817,810	1,817,810	1,817,810
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		6,941,376	8,315,941	6,876,943
Fair value reserve		(2,433,215)	(836,753)	(1,305,301)
Foreign currency translation reserve		(2,991,382)	(2,539,533)	(1,969,982)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		126,035,578	130,122,054	127,309,154
Non-controlling interests	12	2,654,937	613,424	829,091
TOTAL EQUITY		128,690,515	130,735,478	128,138,245
TOTAL LIABILITIES AND EQUITY		279,551,596	280,774,905	282,614,769

Ghazi F. Alnafisi
Chairman & Managing Director

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2012

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Employee share options plan 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	(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	-	-	-	-	-	-	-	-	6,055,286	-	-	6,055,286	42,901	6,098,187
Other comprehensive income	-	-	-	-	-	-	-	-	-	(1,596,462)	916,563	(679,899)	(33,400)	(713,299)
Total comprehensive income	-	-	-	-	-	-	-	-	6,055,286	(1,596,462)	916,563	5,375,387	9,501	5,384,888
Acquisition of additional shares in a subsidiary (Note 15)	-	-	-	-	-	-	-	(2,032,012)	-	-	-	(2,032,012)	2,032,012	-
Other adjustment in a subsidiary (Note 15)	-	-	-	-	-	-	-	1,368,412	-	-	(1,368,412)	-	-	-
Dividends (Note 10)	-	-	-	-	-	-	-	-	(7,429,851)	-	-	(7,429,851)	-	(7,429,851)
Balance at 30 September 2012	51,272,341	35,055,163	(3,941,495)	1,817,810	20,489,290	20,489,290	-	(663,600)	6,941,376	(2,433,215)	(2,991,382)	126,035,578	2,654,937	128,690,515
Balance at 1 January 2011 (Audited)	40,592,531	27,524,906	(3,439,031)	1,807,235	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	-	-	-	-	-	-	-	-	4,211,525	-	-	4,211,525	44,454	4,255,979
Other comprehensive income	-	-	-	-	-	-	-	-	-	120,287	502,544	622,831	245,935	868,766
Total comprehensive income	-	-	-	-	-	-	-	-	4,211,525	120,287	502,544	4,834,356	290,389	5,124,745
Increase in capital	10,040,343	7,530,257	-	-	-	-	-	-	-	-	-	17,570,600	-	17,570,600
Purchase of treasury shares	-	-	(581,062)	-	-	-	-	-	-	-	-	(581,062)	-	(581,062)
Sale of treasury shares	-	-	127,303	10,575	-	-	-	-	-	-	-	137,878	-	137,878
Employee share based payments	-	-	-	-	-	-	1,432,409	-	-	-	-	1,432,409	-	1,432,409
Employee share options exercised	639,469	-	-	-	-	-	(1,432,409)	-	792,940	-	-	(792,940)	-	(792,940)
Dividends (Note 10)	-	-	-	-	-	-	-	-	(7,795,306)	-	-	(7,795,306)	-	(7,795,306)
Balance at 30 September 2011	51,272,343	35,055,163	(3,892,790)	1,817,810	19,727,484	19,727,484	-	(1,969,982)	6,876,943	(1,305,301)	(1,969,982)	127,309,154	829,091	128,138,245

The attached notes 1 to 15 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 September 2012

	Note	Nine months ended 30 September	
		2012 (Unaudited) KD	2011 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before provision for contribution to KFAS, NLST and Zakat		6,394,603	4,452,590
Adjustments for:			
Share in joint venture's results, net of tax		1,500,467	(465,616)
Share of associate's results		-	582,378
Depreciation		4,710,760	4,699,147
Provision for employees' end of service benefits		673,142	353,564
Investment income		(2,073,582)	(1,248,208)
Foreign exchange (gain) loss		(150,862)	3,690
Interest income		(103,423)	(167,957)
Impairment loss on financial assets available for sale		53,341	1,361,300
Impairment loss on investment properties		-	1,933,607
Finance costs		5,459,261	4,183,199
		<u>16,463,707</u>	<u>15,687,694</u>
Change in operating assets and liabilities:			
Inventories		(15,368)	(44,885)
Accounts receivable and other assets		(5,152,362)	1,150,192
Accounts payable and other liabilities		(226,407)	(2,055,329)
Cash from operations		11,069,570	14,737,672
Employees' end of service benefits paid		(145,098)	(83,431)
KFAS paid		(68,119)	(97,140)
Zakat paid		(78,600)	(104,814)
National labour support tax paid		(196,900)	(269,462)
Directors remuneration paid		(120,000)	(120,000)
Net cash from operating activities		<u>10,460,853</u>	<u>14,062,825</u>
INVESTING ACTIVITIES			
Asset acquisition		-	(41,765,952)
Purchase of financial assets available for sale		(1,097,042)	(2,334,312)
Proceeds from sale of financial assets available for sale		3,991,911	2,331,282
Additions to investment properties and property and equipment		(1,204,196)	(901,853)
Proceeds from sale of investment properties and fixed assets		11,093	-
Investment income received		181,257	-
Dividends received from joint venture		-	413,647
Interest income received		62,819	872,000
Term deposits		(158,680)	176,548
Net cash from (used in) investing activities		<u>1,787,162</u>	<u>(41,208,640)</u>
FINANCING ACTIVITIES			
Issue of share capital		-	17,570,600
Proceeds from issue of shares under employee share options plan		-	639,469
Purchase of treasury shares		-	(581,062)
Proceeds from sale of treasury shares		-	137,878
Bank loans received		25,203,520	13,000,000
Bank loans repaid		(16,368,082)	(10,650,527)
Loans from financial institution		-	166,622
Finance costs paid		(5,153,373)	(4,153,487)
Dividends paid		(7,390,104)	(7,795,306)
Net cash (used in) from financing activities		<u>(3,708,039)</u>	<u>8,334,187</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>8,539,976</u>	<u>(18,811,628)</u>
Cash and cash equivalents at the beginning of the period		<u>(9,670,948)</u>	<u>6,240,099</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u>(1,130,972)</u>	<u>(12,571,529)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 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, 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 September 2012 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 13 November 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 nine months ended 30 September 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.

Significant accounting policies

Adoption of new IASB Standards and amendments during the period

The Group has adopted the following amended IFRS during the period:

IFRS 7 Financial Instruments: Disclosures- amendment

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off financial position activities. The amendments allows users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment did not have any significant impact on the financial position or performance of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2012

3 INVESTMENT INCOME

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2012</i> <i>(Unaudited)</i> <i>KD</i>	<i>2011</i> <i>(Unaudited)</i> <i>KD</i>	<i>2012</i> <i>(Unaudited)</i> <i>KD</i>	<i>2011</i> <i>(Unaudited)</i> <i>KD</i>
Gain on sale of financial assets available for sale	4,108	28,328	1,892,325	833,857
Dividend income	35,052	126,895	181,257	413,647
Interest income from managed portfolio	-	86	-	704
	<u>39,160</u>	<u>155,309</u>	<u>2,073,582</u>	<u>1,248,208</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 September 2012.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2012</i> <i>(Unaudited)</i>	<i>2011</i> <i>(Unaudited)</i>	<i>2012</i> <i>(Unaudited)</i>	<i>2011</i> <i>(Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company. (KD)	<u>1,758,086</u>	<u>647,702</u>	<u>6,055,286</u>	<u>4,211,525</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>495,323,413</u>	<u>495,798,810</u>	<u>495,323,413</u>	<u>452,896,831</u>
Basic and diluted earnings per share	<u>3.5 fils</u>	<u>1.3 fils</u>	<u>12.2 fils</u>	<u>9.3 fils</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2012

6 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Unquoted securities include an investment with a carrying value of KD 5,776,301 (31 December 2011: KD 7,176,301, 30 September 2011: KD 7,271,204) 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 30 September 2012.

7 INVESTMENT IN PROPERTIES

	<i>30 September 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>30 September 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	80,186,517
Transferred from property and equipment	1,853,875	-	-
Other additions	432,744	363,805	222,269
Depreciation	(1,317,928)	(1,745,585)	(1,309,164)
Impairment loss	-	(1,785,312)	(1,933,607)
Foreign currency translation adjustment	191,914	(59,400)	(23,168)
	<u>144,199,002</u>	<u>143,038,397</u>	<u>143,221,219</u>

8 DUE TO BANKS AND A FINANCIAL INSTITUTION

	<i>30 September 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>30 September 2011 (Unaudited) KD</i>
Due to banks (Note 5)	5,352,575	14,188,459	19,752,654
Due to a financial institution	429,031	421,102	415,457
	<u>5,781,606</u>	<u>14,609,561</u>	<u>20,168,111</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 932,494 (31 December 2011: KD 880,165, 30 September 2011: KD 793,639) 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2012

9 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 September 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>30 September 2011 (Unaudited) KD</i>
At 1 January	120,410,589	64,376,959	64,376,959
Loans received	25,203,520	23,000,000	13,000,000
Loan arising from acquisition of Al Asima	-	53,000,000	51,000,000
Loans repaid	(16,368,082)	(19,075,760)	(10,650,527)
Foreign currency translation adjustment	606,491	(890,610)	430,896
	<u>129,852,518</u>	<u>120,410,589</u>	<u>118,157,328</u>

During the period, the Parent Company obtained two unsecured Murabaha deals amounting to KD 22,000,000 from local Islamic banks with average profit rate of 4% per annum.

10 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

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) amounting to KD 7,429,851 for the year ended 31 December 2011 (2010: KD 7,795,306) 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 the authorized share capital from 513,801,307 shares to 512,723,413 shares of 100 fils each.

As at 30 September 2012, the authorized and paid share capital consists of 512,723,413 shares (31 December 2011: 513,801,307 shares, 30 September 2011: 513,801,307 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, 30 September 2011: 512,723,413 shares).

11 TREASURY SHARES

At 30 September 2012, the Parent Company held 17,400,000 of its own shares (31 December 2011: 17,400,000, 30 September 2011: 17,160,000), equivalent to 3.39% (31 December 2011: 3.39%, 30 September 2011: 3.34%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 6,003,000 (31 December 2011: KD 3,584,400, 30 September 2011: KD 3,500,640). 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 30 September 2012

12 SEGMENTAL INFORMATION (continued)

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

	Three months ended 30 September 2012 (Unaudited)			Three months ended 30 September 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	3,946,475	2,602,405	4,910,718	3,725,794	1,890,278	3,993,777
Segment operating costs	(485,377)	(1,206,100)	(3,406,939)	(275,657)	(1,001,160)	(2,975,749)
Segment gross profit	3,461,098	1,396,305	1,503,779	3,450,137	889,118	1,018,028
Share in joint venture's results	(92,498)	-	-	(248,096)	-	-
Depreciation	(769,504)	(487,103)	(370,602)	(765,014)	(481,594)	(309,215)
Other operating expenses	(466,500)	(182,068)	(360,041)	(441,745)	(137,658)	(282,345)
Finance costs	(1,357,322)	(16,703)	(510,394)	(13,412)	-	(29,928)
Foreign tax	(54,751)	-	(70,972)	(1,518,393)	(17,599)	(440,868)
Segment results	720,523	710,431	191,770	463,477	252,267	(44,328)
Interest income						
Investment income			67,144			
Impairment loss on financial assets available for sale			39,160			
Other non-operating income			(40,567)			
KFAS, NLST and Zakat			222,555			
Profit for the period			(79,475)			
			1,831,541			
						155,309
						(78,340)
						(3,148)
						(30,520)
						714,717

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENT
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12 SEGMENTAL INFORMATION (continued)

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

	Nine months ended 30 September 2012 (Unaudited)			Nine months ended 30 September 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	12,254,912	9,094,470	12,329,276	11,821,993	8,938,176	11,844,250
Segment operating costs	(1,689,350)	(3,696,266)	(8,823,089)	(1,283,396)	(3,585,728)	(8,682,310)
Segment gross profit	10,565,562	5,398,204	3,506,187	10,538,597	5,352,448	3,161,940
Share in joint venture's results	(1,272,805)	-	-	822,337	-	-
Share of associate's results	-	-	-	(582,378)	-	-
Depreciation	(2,306,003)	(1,456,068)	(948,689)	(2,317,113)	(1,439,786)	(942,248)
Impairment loss on investment properties	-	-	-	(1,933,607)	-	-
Other operating expenses	(1,924,942)	(767,948)	(969,584)	(2,105,707)	(726,179)	(849,331)
Finance costs	(4,080,529)	(71,374)	(1,307,358)	(2,756,550)	(69,615)	(1,357,034)
Foreign tax	(227,663)	-	(168,106)	(370,132)	-	(146,333)
Segment results	753,620	3,102,814	112,450	1,295,447	3,116,868	(133,006)
Interest income						
Investment income			103,423			167,957
Impairment loss on financial assets available for sale			2,073,582			1,248,208
Other non-operating income			(53,341)			(1,361,300)
KFAS, NLST and Zakat			302,055			118,416
Profit for the period			(296,416)			(196,611)
			6,098,187			4,255,979

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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At 30 September 2012

13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 September 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>30 September 2011 (Unaudited) KD</i>
Letters of guarantee	16,714,667	16,714,667	16,667,615
Construction projects	16,190,000	16,291,961	14,979,447
	<u>32,904,667</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>Other KD</i>	<i>30 September 2012 (Unaudited) KD</i>	<i>31 December 2011 (Audited) KD</i>	<i>30 September 2011 (Unaudited) KD</i>
Staff receivables	204,262	513,429	717,691	804,005	826,711

Compensation of key management personnel

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

	<i>30 September 2012 (Unaudited) KD</i>	<i>30 September 2011 (Unaudited) KD</i>
Short-term benefits	421,504	553,101
Employees' end of service benefits	303,378	91,387
	<u>724,882</u>	<u>644,488</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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15 SUBSIDIARIES

Details of subsidiaries are set out below:

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	30 September 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.	99.00%	99.00%	Kuwait	Project management
Al Asima Real Estate Company K.S.C	99.73%	99.73%	Kuwait	Real estate
Salhia International Investments Limited	100%	-	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)	40.00%	40.00%	Germany	Care home catering service provider
<i>Held through Salhia International Investments Limited:</i>				
Salhia Jersey Limited	100%	-	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	100%	-	United Kingdom	Real estate

During the period ended 30 September 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 an additional interest of 50% in Ingelby Limited for no consideration as agreed between the Parent Company and the directors of Ingelby Limited. Accordingly, an amount of KD 2,032,012 has been recognized in other reserve. Furthermore, an amount of KD 1,368,412 has been transferred from foreign currency translation reserve to other reserve in equity as a result of the transaction.

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