

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

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

30 SEPTEMBER 2013



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C. (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 2013 and the related interim condensed consolidated statements of income and comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of 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 16,426,196 (30 September 2012: KD 9,859,566) and the share of the joint venture’s results for the three months and nine months periods ended 30 September 2013 included in the interim condensed consolidated income statement is a profit of KD 754,804 and KD 2,075,368 respectively (three months and nine months periods ended 30 September 2012 is 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 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 nine months period ended 30 September 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 nine months period ended 30 September 2013.



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



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

12 November 2013
Kuwait

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 30 September 2013

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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	10,244,329	11,459,598	33,319,199	33,678,658
Operating costs	(4,663,598)	(5,098,416)	(13,753,823)	(14,208,705)
Gross profit	5,580,731	6,361,182	19,565,376	19,469,953
Share in joint venture's results	754,804	(92,498)	2,075,368	(1,272,805)
General and administrative expenses	(524,569)	(840,150)	(2,811,820)	(3,055,193)
Depreciation	(1,566,798)	(1,627,209)	(4,681,159)	(4,710,760)
Sales and marketing expenses	(162,799)	(168,459)	(650,702)	(607,281)
Investment income	84,193	39,160	335,384	2,073,582
Foreign exchange gain (loss)	108,480	191,511	(17,068)	150,862
Interest income	59,910	67,144	193,737	103,423
Other income	65,789	31,044	135,937	151,193
Impairment loss on financial assets available for sale	(692,586)	(40,567)	(2,004,315)	(53,341)
Finance costs	(1,482,157)	(1,884,419)	(4,622,691)	(5,459,261)
Profit before tax	2,224,998	2,036,739	7,518,047	6,790,372
Foreign tax	(296,693)	(125,723)	(793,508)	(395,769)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT	1,928,305	1,911,016	6,724,539	6,394,603
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(15,622)	(17,661)	(63,795)	(65,870)
National Labour Support Tax (NLST)	(39,057)	(44,153)	(159,489)	(164,676)
Zakat	(15,622)	(17,661)	(63,795)	(65,870)
PROFIT FOR THE PERIOD	1,858,004	1,831,541	6,437,460	6,098,187
Attributable to:				
Equity holders of the Parent Company	1,821,904	1,758,086	6,422,400	6,055,286
Non-controlling interests	36,100	73,455	15,060	42,901
	1,858,004	1,831,541	6,437,460	6,098,187
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITYHOLDERS OF THE PARENT COMPANY	4	3.7 Fils	3.5 fils	13 fils
		12.2 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 30 September 2013

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2013</i> <i>(Unaudited)</i> <i>KD</i>	<i>2012</i> <i>(Unaudited)</i> <i>KD</i>	<i>2013</i> <i>(Unaudited)</i> <i>KD</i>	<i>2012</i> <i>(Unaudited)</i> <i>KD</i>
Profit for the period	1,858,004	1,831,541	6,437,460	6,098,187
Other comprehensive income (loss) to be reclassified to consolidated income statement in subsequent periods:				
Net movement in cumulative changes in fair value	7,018	(181,872)	(104,253)	295,863
Realised gain on sale of financial assets available for sale	(10,094)	(4,108)	(35,417)	(1,892,325)
Impairment loss transferred to interim condensed consolidated statement of income	92,586	-	275,952	-
Exchange differences arising on translation of foreign operations	2,938,469	949,469	2,158,811	883,163
Net other comprehensive income (loss) to be reclassified to consolidated income statement in subsequent periods	3,027,979	763,489	2,295,093	(713,299)
Total comprehensive income for the period	4,885,983	2,595,030	8,732,553	5,384,888
Attributable to:				
Equity holders of the Parent Company	4,657,425	2,459,057	8,509,818	5,375,387
Non-controlling interests	228,558	135,973	222,735	9,501
	4,885,983	2,595,030	8,732,553	5,384,888

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 September 2013

	Notes	30 September 2013 (Unaudited) KD	31 December 2012 (Audited) KD	30 September 2012 (Unaudited) KD
ASSETS				
Cash and cash equivalents	5	14,096,044	7,397,712	4,221,603
Fixed deposits		3,143,395	3,464,317	3,434,605
Inventories		420,735	369,842	350,323
Accounts receivable and other assets		5,187,946	5,024,348	9,947,450
Financial assets available for sale	6	15,358,790	17,008,769	20,323,216
Investment in joint venture		16,426,196	13,312,728	9,859,566
Investment properties	7	143,205,743	143,705,580	144,199,002
Property and equipment		86,198,040	87,498,060	87,215,831
TOTAL ASSETS		284,036,889	277,781,356	279,551,596
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and a financial institution	8	6,195,117	2,296,392	5,781,606
Accounts payable and other liabilities		14,874,141	16,906,989	15,226,957
Commercial financing	9	27,354,994	28,705,540	31,415,018
Islamic financing	9	101,437,500	97,000,000	98,437,500
TOTAL LIABILITIES		149,861,752	144,908,921	150,861,081
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		7,253,686	8,261,137	6,941,376
Fair value reserve		(1,704,238)	(1,840,520)	(2,433,215)
Foreign currency translation reserve		316,608	(1,634,528)	(2,991,382)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		131,264,344	130,184,377	126,035,578
Non-controlling interests		2,910,793	2,688,058	2,654,937
TOTAL EQUITY		134,175,137	132,872,435	128,690,515
TOTAL LIABILITIES AND EQUITY		284,036,889	277,781,356	279,551,596

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 September 2013

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	Other reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Non-controlling interests		Total equity KD
											KD	KD	
Balance at 1 January 2013 (Audited)	51,272,341	35,055,163	(3,941,495)	1,817,810	21,368,779	20,489,290	(663,600)	8,261,137	(1,840,520)	(1,634,528)	130,184,377	2,688,058	132,872,435
Profit for the period	-	-	-	-	-	-	-	6,422,400	-	-	6,422,400	15,060	6,437,460
Other comprehensive income	-	-	-	-	-	-	-	(7,429,851)	136,282	1,951,136	2,087,418	207,675	2,295,093
Total comprehensive income	-	-	-	-	-	-	-	(1,007,451)	136,282	1,951,136	8,509,818	222,735	8,732,555
Dividends (Note 10)	-	-	-	-	-	-	-	(7,429,851)	-	-	(7,429,851)	-	(7,429,851)
Balance at 30 September 2013	51,272,341	35,055,163	(3,941,495)	1,817,810	21,368,779	20,489,290	(663,600)	7,253,686	(1,704,238)	316,608	131,264,344	2,910,793	134,175,137
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	130,735,471
Profit for the period	-	-	-	-	-	-	-	6,055,286	-	-	6,055,286	42,901	6,098,187
Other comprehensive (loss) income	-	-	-	-	-	-	-	(7,429,851)	(1,596,462)	916,563	(679,899)	(33,400)	(7,132,295)
Total comprehensive income (loss)	-	-	-	-	-	-	-	(1,374,565)	(1,596,462)	916,563	(763,313)	9,501	5,384,888
Acquisition of additional shares in a subsidiary	-	-	-	-	-	-	(2,032,012)	-	-	-	(2,032,012)	2,032,012	-
Other adjustment in a subsidiary	-	-	-	-	-	-	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

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 September 2013

	Note	Nine months ended 30 September	
		2013 (Unaudited) KD	2012 (Unaudited) KD
OPERATING ACTIVITIES			
Profit before provision for contribution to KFAS, NLST and Zakat		6,724,539	6,394,603
Adjustments for:			
Share in joint venture's results, net of tax		(1,451,054)	1,500,467
Depreciation		4,681,159	4,710,760
Provision for employees' end of service benefits		330,249	673,142
Investment income		(335,384)	(2,073,582)
Foreign exchange loss (gain)		17,068	(150,862)
Interest income		(193,737)	(103,423)
Impairment loss on financial assets available for sale		2,004,315	53,341
Finance costs		4,622,691	5,459,261
		<u>16,399,846</u>	<u>16,463,707</u>
Change in operating assets and liabilities:			
Inventories		(50,893)	(15,368)
Accounts receivable and other assets		(163,598)	(5,152,362)
Accounts payable and other liabilities		(738,679)	(226,407)
Cash from operations		<u>15,446,676</u>	<u>11,069,570</u>
Employees' end of service benefits paid		(1,972,472)	(145,098)
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		<u>13,275,050</u>	<u>10,460,853</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(277,127)	(1,097,042)
Proceeds from sale of financial assets available for sale		94,490	3,991,911
Additions to investment properties and property and equipment		(1,814,554)	(1,204,196)
Proceeds from sale of investment properties and fixed assets		8,421	11,093
Investment income received		299,967	181,257
Interest income received		193,737	62,819
Term deposits		320,922	(158,680)
Net cash flows (used in) from investing activities		<u>(1,174,144)</u>	<u>1,787,162</u>
FINANCING ACTIVITIES			
Bank loans received		8,000,000	25,203,520
Bank loans repaid		(5,712,079)	(16,368,082)
Finance costs paid		(4,159,369)	(5,153,373)
Dividends paid		(7,429,851)	(7,390,104)
Net cash flows used in financing activities		<u>(9,301,299)</u>	<u>(3,708,039)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>2,799,607</u>	<u>8,539,976</u>
Cash and cash equivalents at the beginning of the period		<u>5,101,320</u>	<u>(9,670,948)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u><u>7,900,927</u></u>	<u><u>(1,130,972)</u></u>

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

COMPANY (GROUP) AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

The Group's interim condensed consolidated financial information for the period ended 30 September 2013 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 12 November 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 nine months ended 30 September 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.

~~Company Name (Group) and Subsidiaries~~

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 – 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.

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.

(GROUP) AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

3 INVESTMENT INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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	10,094	4,108	35,417	1,892,325
Dividend income	74,099	35,052	299,967	181,257
	<u>84,193</u>	<u>39,160</u>	<u>335,384</u>	<u>2,073,582</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 2013.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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)	1,821,904	1,758,086	6,422,400	6,055,286
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	495,323,413	495,323,413	495,323,413	495,323,413
Basic and diluted earnings per share	<u>3.7 fils</u>	<u>3.5 Fils</u>	<u>13 fils</u>	<u>12.2 fils</u>

1. GENERAL INFORMATION AND DISCLOSURES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2013

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following:

	<i>30 September 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
Cash and bank balances	14,096,044	7,397,712	4,001,522
Fixed deposits (maturing within three months)	-	-	220,081
Cash and cash equivalents as per interim condensed consolidated statement of financial position	<u>14,096,044</u>	<u>7,397,712</u>	<u>4,221,603</u>
Due to banks contractually due within three months (Note 8)	<u>(6,195,117)</u>	<u>(2,296,392)</u>	<u>(5,352,575)</u>
Cash and cash equivalents	<u><u>7,900,927</u></u>	<u><u>5,101,320</u></u>	<u><u>(1,130,972)</u></u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
Managed quoted portfolios	4,394,447	4,284,437	6,072,414
Managed funds	454,037	457,798	466,544
Unquoted securities	10,510,306	12,266,534	13,784,258
	<u>15,358,790</u>	<u>17,008,769</u>	<u>20,323,216</u>
	<i>30 September 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
Local investments	5,857,603	5,534,110	6,343,651
Foreign investments	9,501,187	11,474,659	13,979,565
	<u>15,358,790</u>	<u>17,008,769</u>	<u>20,323,216</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 275,315 (30 September 2012: 53,341) 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, 30 September 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 2,737,215 (31 December 2012: KD 4,466,215, 30 September 2012 : KD 5,776,301) 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 1,729,000 (30 September 2012: nil) in the condensed consolidated statement of income.

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

At 30 September 2013

7 INVESTMENT IN PROPERTIES

	<i>30 September 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
At 1 January	143,705,580	143,038,397	143,038,397
Transferred from property and equipment	-	1,867,434	1,853,875
Additions	824,106	435,757	432,744
Depreciation	(1,318,126)	(1,757,275)	(1,317,928)
Disposals	-	(118,728)	-
Foreign currency translation adjustment	(5,817)	239,995	191,914
	<u>143,205,743</u>	<u>143,705,580</u>	<u>144,199,002</u>

8 DUE TO BANKS AND A FINANCIAL INSTITUTION

	<i>30 September 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
Due to banks (Note 5)	6,195,117	2,296,392	5,352,575
Due to a financial institution	-	-	429,031
	<u>6,195,117</u>	<u>2,296,392</u>	<u>5,781,606</u>

9 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 September 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
At 1 January	125,705,540	120,410,589	120,410,589
Loans received	8,000,000	22,729,016	25,203,520
Loans repaid	(5,712,079)	(18,295,026)	(16,368,082)
Foreign currency translation adjustment	799,033	860,961	606,491
	<u>128,792,494</u>	<u>125,705,540</u>	<u>129,852,518</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 (2012: 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 September 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, 30 September 2012: 512, 723, 413 shares).

PARENT COMPANY (GROUP) AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2013

11 TREASURY SHARES

At 30 September 2013, the Parent Company held 17,400,000 of its own shares (31 December 2012: 17,400,000, 30 September 2012: 17,400,000), equivalent to 3.39% (31 December 2012: 3.39%, 30 September 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 6,090,000 (31 December 2012: KD 6,438,000, 30 September 2012: KD 6,003,000). 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.

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:

30 September 2013	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Managed quoted portfolios	4,394,447	-	-	4,394,447
Managed funds	-	454,037	-	454,037
Unquoted securities	-	-	2,737,215	2,737,215
	<u>4,394,447</u>	<u>454,037</u>	<u>2,737,215</u>	<u>7,585,699</u>
	<u>4,394,447</u>	<u>454,037</u>	<u>2,737,215</u>	<u>7,585,699</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>
	<u>4,284,437</u>	<u>457,798</u>	<u>4,466,215</u>	<u>9,208,450</u>
30 September 2012	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Managed quoted portfolios	6,072,414	-	-	6,072,414
Managed funds	-	466,544	-	466,544
Unquoted securities	-	-	5,776,301	5,776,301
	<u>6,072,414</u>	<u>466,544</u>	<u>5,776,301</u>	<u>12,315,259</u>
	<u>6,072,414</u>	<u>466,544</u>	<u>5,776,301</u>	<u>12,315,259</u>

During the period ended 30 September 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.

~~CONFIDENTIAL (GROUP) AND SUBSIDIARIES~~

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

At 30 September 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.

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 At 30 September 2013

13 SEGMENTAL INFORMATION (continued)

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

	Three months ended 30 September 2013 (Unaudited)			Three months ended 30 September 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	4,194,367	2,184,875	3,865,087	3,946,475	2,602,405	4,910,718
Segment operating costs	(727,561)	(1,219,336)	(2,716,701)	(485,377)	(1,206,100)	(3,406,939)
Segment gross profit	3,466,806	965,539	1,148,386	3,461,098	1,396,305	1,503,779
Share in joint venture's results	754,804	-	-	(92,498)	-	-
Depreciation	(769,317)	(496,667)	(300,814)	(769,504)	(487,103)	(370,602)
Other operating expenses	(269,437)	(73,883)	(344,048)	(466,500)	(182,068)	(360,041)
Finance costs	(1,187,220)	(16,686)	(278,251)	(1,357,322)	(16,703)	(510,394)
Foreign tax	(241,441)	-	(55,252)	(54,751)	-	(70,972)
Segment results	1,754,195	378,303	170,021	720,523	710,431	191,770
Interest income						
Investment income			59,910			67,144
Impairment loss on financial assets available for sale			84,193			39,160
Other non-operating income			(692,586)			(40,567)
KFAS, NLST and Zakat			174,269			222,555
			(70,301)			(79,475)
Profit for the period			1,858,004			1,831,541

Salhia Real Estate Company K.S.C. (Closed) and Subsidiaries
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
 At 30 September 2013

13 SEGMENTAL INFORMATION (continued)

	<i>Nine months ended 30 September 2013 (Unaudited)</i>				<i>Nine months ended 30 September 2012 (Unaudited)</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>
Segment revenues	12,088,010	9,695,929	11,535,260	33,319,199	12,254,912	9,094,470	12,329,276	33,678,65
Segment operating costs	(1,689,566)	(3,811,989)	(8,252,268)	(13,753,823)	(1,689,350)	(3,696,266)	(8,823,089)	(14,208,70
Segment gross profit	10,398,444	5,883,940	3,282,992	19,565,376	10,565,562	5,398,204	3,506,187	19,469,95
Share in joint venture's results	2,075,368	-	-	2,075,368	(1,272,805)	-	-	(1,272,80
Depreciation	(2,311,147)	(1,479,290)	(890,722)	(4,681,159)	(2,306,003)	(1,456,068)	(948,689)	(4,710,76
Other operating expenses	(1,668,254)	(809,476)	(984,792)	(3,462,522)	(1,924,942)	(767,948)	(969,584)	(3,662,47
Finance costs	(3,497,847)	(64,731)	(1,060,113)	(4,622,691)	(4,080,529)	(71,374)	(1,307,358)	(5,459,26
Foreign tax	(624,314)	-	(169,194)	(793,508)	(227,663)	-	(168,106)	(395,76
Segment results	4,372,250	3,530,443	178,171	8,080,864	753,620	3,102,814	112,450	3,968,88
Interest income				193,737				103,42
Investment income				335,384				2,073,58
Impairment loss on financial assets available for sale				(2,004,315)				(53,34
Other non-operating income				118,869				302,05
KFAS, NLT and Zakat				(287,079)				(296,41
Profit for the period				6,437,460				6,098,18

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

At 30 September 2013

13 SEGMENTAL INFORMATION (continued)

	<i>30 September 2013 (Unaudited)</i>			
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>
Total assets	235,422,515	5,164,616	43,449,758	284,036,889
Total liabilities	119,432,982	2,164,912	28,263,858	149,861,752
	<i>31 December 2012 (Audited)</i>			
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>
Total assets	229,587,043	5,510,194	42,684,119	277,781,356
Total liabilities	112,570,762	2,578,817	29,759,342	144,908,921
	<i>30 September 2012 (Unaudited)</i>			
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>
Total assets	232,785,518	4,643,417	42,122,661	279,551,596
Total liabilities	118,872,730	2,267,943	29,720,408	150,861,081

14 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 September 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
Letters of guarantee	16,761,566	16,761,566	16,714,667
Construction projects	14,192,071	14,802,071	16,190,000
	<u>30,953,637</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.

Company Ltd. (closed) and subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

At 30 September 2013

15 RELATED PARTY TRANSACTIONS (continued)

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 2013 (Unaudited) KD</i>	<i>31 December 2012 (Audited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
Staff receivables	118,258	187,484	305,742	720,700	717,691

Compensation of key management personnel

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

	<i>30 September 2013 (Unaudited) KD</i>	<i>30 September 2012 (Unaudited) KD</i>
Short-term benefits	373,217	421,504
Employees' end of service benefits	80,213	303,378
	<u>453,430</u>	<u>724,882</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 30 September 2013

16 SUBSIDIARIES

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	30 September 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 September 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.