SALHIA

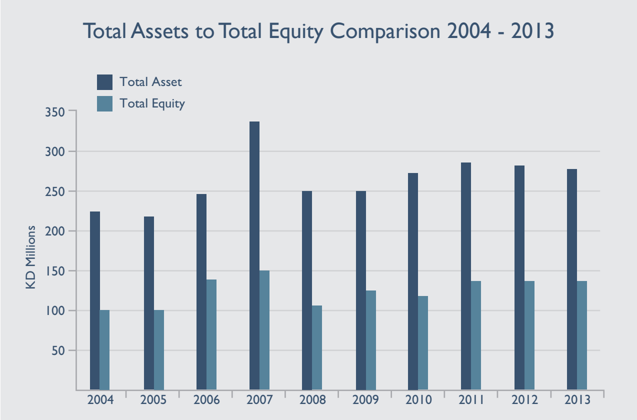
ANNUAL REPORT 2013

H.H. Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of the State of Kuwait

H.H. Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

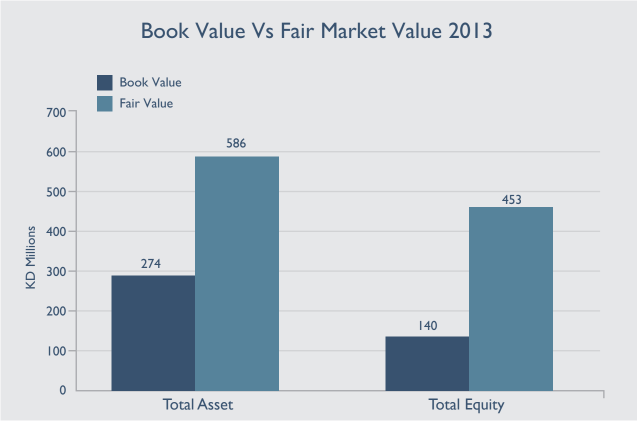
H.H Sheikh
Jaber Al-Mubarak Al-Hamad Al-Sabah
Prime Minister

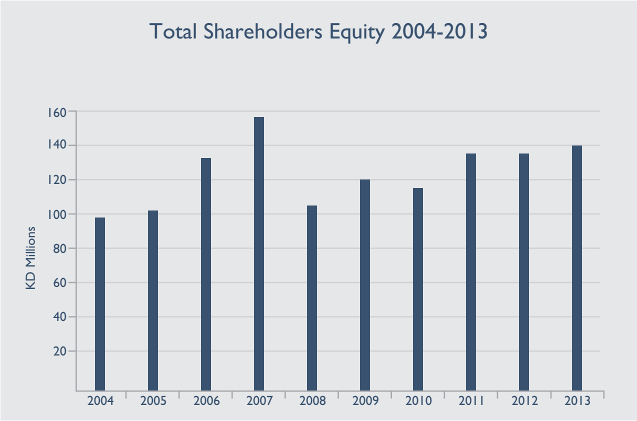
CONTENTS

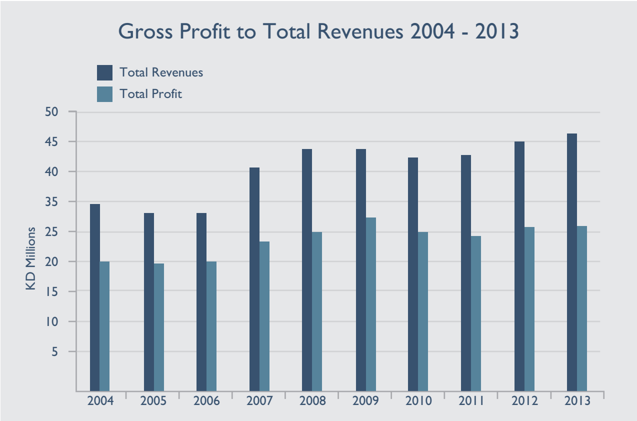


- The Company evaluated its assets by independent professional appraiser in the G.C.C and the European market, The total assets estimated market value KD586 Million (Book value KD 274 Million).

- The Estimated fair market value for the total shareholders equity KD453 Million (Book Value KD140 Million).







BOARD MEMBERS

Ghazi Fahad Alnafisi
Chairman

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

Anwar Abdulaziz Al-Usaimi
Board Member & Chief Executive Officer

Abdulaziz Ghazi Alnafisi
Board Member & Deputy Chief Executive Officer

Youssef Essa Al-Othman
Board Member

Abdulrahman Abdulaziz Al Babtain
Board Member

Marzouk Fajhan Al-Mutairi
Board Member

Saud Ahmad Faisal Al-Zabin
Board Member

EXECUTIVE MANAGEMENT

Anwar Abdulaziz Al-Usaimi
Chief Executive Officer

Abdulaziz Ghazi Alnafisi
Deputy Chief Executive Officer

Hany A. Abdelnour
Finance, Accounting & HR Group Head

Mohammad Khalil Al-Musaibeeh
Group Accounting Manager

Eng. Bader Khalifah Al-Adsani
Group Property Manager

Nasser Bader Al-Ghanim
Group Investment Manager

Eng. Kifah Georges
Group Construction Manager

Abdulnasser Bader Alturkait
Group Information Technology Manager

Ali Jassim Abul
Group Human Resources &
Administration Deputy Manager

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the Board of Directors, I would like to extend my warmest greetings to you and present to you the annual report of Salhia Real Estate Company for the financial year ended December 31st, 2013.

Salhia Real Estate Company succeeded in maintaining a positive and balanced performance, despite many challenges faced by the company in the domestic and global market. The company managed to overcome these difficulties, through the implementation of prudent polices and financial strategies that were targeted at achieving the best earnings for our esteemed shareholders.

The steady financial performance of the company for the year ended 2013, has resulted in a profit of KD16.01 Million which represents a profit of 32.3 Fils per share and an increase in profit of 94% compared to the previous year's (profit of KD8.25 Million and 16.7 Fils per share.)

The company's total assets at the year ended 2013 amounted KD274 Million compared to KD277 Million for the previous year, which is a decrease of 1%.

The company's liabilities were reduced from KD145 Million for the previous year to KD131 Million for the current year which represents a 10% decrease.

Keeping the best interests of our shareholders in mind, Salhia worked to increase its shareholders' equity to KD140 Million which represents an increase of 8% for the year 2013 as compared to KD130 Million for the previous year.

Accordingly, the book value of Salhia's share increased to 273 Fils which is an 8% increase for the current year as compared to 254 Fils for the previous year.

The company increased its revenues to KD46 Million for 2013 which stands at a 2% increase as compared to KD45 Million for the previous year.

The Financial Statements of 2013 were finalized taking into consideration that all the figures mentioned above were recorded in the books on the basis of historical cost for the year ended 2013.

The assessment of the company's total assets was undertaken by independent professional appraisers at the end of 2013. The estimated market value for the company's total Assets indicated a value of KD586 Million with an estimated Ownership Equity KD452 Million, thereby increasing the book value per share to 883 Fils.

Esteemed Shareholders,

I would like to express my deep appreciation and gratitude to you for your continued support of Salhia Real Estate Company over the years and I take this opportunity to extend my sincere thanks to our Board of Directors, the Executive Management and the staff of our company for their untiring efforts in working to achieve our goals and aspirations for the continued success of Salhia.

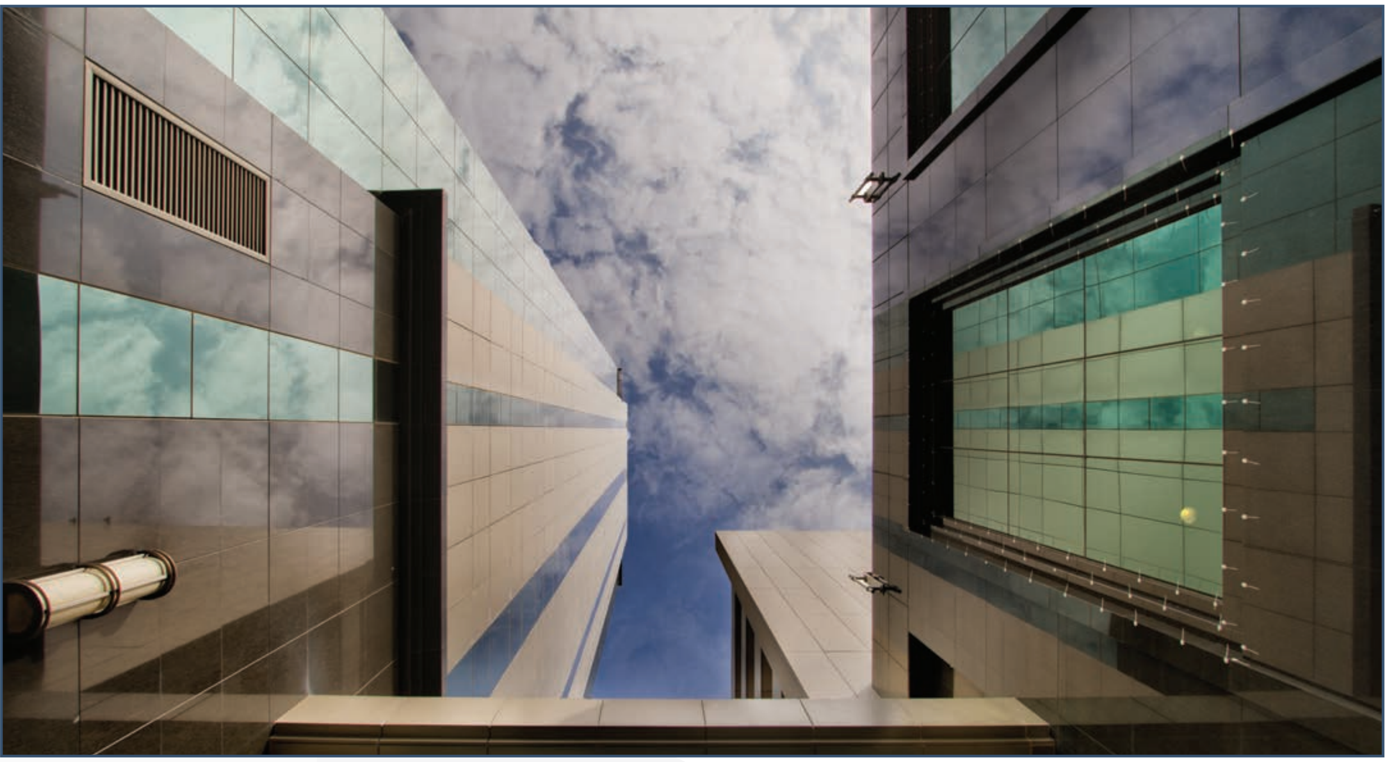
Praying to Allah to continue His blessings upon us to preserve our beloved country under the wise leadership of the Amir of Kuwait, His Highness Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, the Crown Prince, His Highness Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and the Prime Minister, Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah and his judicious government.

Ghazi Fahad Alnafisi

Chairman
Salhia Real Estate Company

REPORT OF THE
BOARD OF DIRECTORS

LOCAL INVESTMENTS



SALHIA COMMERCIAL COMPLEX

Salhia Complex has kept its place among other shopping malls since its inception in 1978 until the present day ranked as one of the most important shopping malls and commercial offices in the region due to its history as the first shopping complex in Kuwait. Also the location of Salhia Complex in the middle of Kuwait City has helped in maintaining a 100% occupancy for many years. Salhia Complex consists of three commercial floors (Ground Floor - Mezzanine I - Mezzanine II) offering an impressive collection of world-famous brands, cafes and restaurants. Also Salhia Complex has a three hundred and seventy six indoor parking and four hundred and twenty eight outdoor parking. Salhia Complex management has kept path with the development, modernization and renovation in the current year. Salhia is in the process of renovating the second mezzanine to be a central of diversity of restaurants which will meet the visitor's needs. The upper floors include five floors of office space occupied by major international companies, corporations and government institutions.

SALHIA PLAZA

Since Completion in 2005, the Plaza quickly became an attraction for visitors due to its proximity to Salhia Complex. The plaza is located above the two basements parking floors in front of Salhia Commercial Complex. The site contains selected trendy restaurants and cafes surrounded in the middle by a fountain illuminated at night and a large landscaping making it a great choice for visitors.

SAHAB TOWER

Sahab Tower consists of twenty-storey commercial offices connected to Salhia Complex with a bridge on the mezzanine floor that helped it to become one of the most important and prominent towers in Kuwait. Also Sahab Tower is occupied by largest international and local companies. Since 1997, Sahab Tower is keeping a rate of occupancy of 100% due to the excellence of services it provides.

JW MARRIOTT HOTEL KUWAIT CITY

The luxurious five star JW Marriott Hotel Kuwait City is located in the heart of Kuwait's business district. Considered amongst Kuwait's market-leading hotels, this elegant 313 room hotel comprises of 73 suites, an executive level with a private lounge, library, fully equipped health club and indoor swimming pool with steam baths, a sun deck and a whirlpool. Five floors are exclusively dedicated to business travellers. The hotel is home to five of the country's finest restaurants and is attached to the legendary Salhia Shopping Complex which offers world class luxurious shopping facilities.

This year, JW Marriott Hotel Kuwait City commemorated its 10th anniversary celebrating its development and success in Kuwait through a series of celebrations for customers, associates and the media. The hotel also won several prestigious awards like the Best Luxury Business Hotel 2013 (by the World Luxury Hotel Awards), The Best Business Hotel in Kuwait (by Business Traveler Middle East), and a valuable Trip Advisor Certificate of Excellence for 2013. Several notable refurbishment efforts received guest accolades, such as replacement of the entrance revolving door, a landscaping beautification project in the front of the hotel, lobby upgrade of sofas and seating areas, and the re branding of the hotel's fitness facilities to be the Elite Health Club & Spa offering an extensive array of international body massage treatments by "Matis". The hotel also made considerable efforts to take guest comfort to the next level with the completion of a soft refurbishment of its rooms to compliment a more luxurious, authentic experience.

The hotel continues to be the venue of choice for celebrations, large meetings and conferences. Aside from flexible meeting spaces and professional event management teams, large multi-purpose ballrooms on the 1st and 16th floors offer up to 1,560 square meters of space and creativity to host some of the most important events in Kuwait.

ARRAYA COMMERCIAL CENTRE

Arraya Centre has a great location in the east of Kuwait city and it is one of the most important projects for Salhia Real Estate Company being the center of attraction for visitors , local and international companies offering the highest services level to its visitors. Arraya Centre with its three shopping floors comprises of a wide selection of retail fashion stores and international franchises along with a fancy cafes and restaurants. Arraya Centre includes seven commercial office floors hosting major local and international corporations. The building as well was incorporated with multi-storey car park to serve the visitors separated by

Arraya Plaza that has a vast space, which gives a relaxed sensation for those who are keen to enjoy the external weather below modern umbrellas and surrounded by water fountains. Arraya Plaza has a space of 3000 square meters, and enlightened by innovative lights which gives a sensational feeling for visitors of this memorable area. Arraya Plaza can also host big social and entertainment events and functions.

ARRAYA TOWER

Arraya Tower is one of a kind in Kuwait city with high standard architectural finishing with a very flexible rentable floors between 250 square meters and up to 740 square meters.
Arraya Tower has 60 floors, 300 meter height, and served with 16 elevators, supported by state of the art technology. Arraya Tower offers its best services to the valuable tenants to enjoy the multi-storey parking consisting of 1400 parking space and by offering 24/7 security and maintenance service in the tower. The leasing process continued in 2013 to rent the limited available floors in the tower to reach 90% occupancy.

COURTYARD BY MARRIOTT HOTEL KUWAIT CITY

For businessmen who prefer a productive, energizing stay to achieve their business goals, the 264 room Courtyard by Marriott Hotel Kuwait City is the ideal hotel for refreshing business. In the heart of Kuwait City's financial district, this modern property is attached to the magnificent Arraya Shopping Mall.

The hotel marked the 30th anniversary of the global Courtyard by Marriott brand (with nearly 1,000 hotels in 70 countries) with a large celebration for its guests, associates and the media in Kuwait. It also re branded its extensive fitness and recreational facilities as the refreshing "Waves Health Club & Spa" with a range of offers and downtown convenience to match discerning customers. The new health club and spa has the latest cardiovascular machines and an inspiring 25 m rooftop swimming pool along with massage therapies and treatments to ensure a holistic stay. The pool underwent a complete resurfacing of the pool deck area to ensure a more comfortable experience for customers.

The Courtyard by Marriott remains a leader in dining experiences. The panoramic yet subtly impressive eight story high Atrium Restaurant and its lounge café has undergone a soft refurbishment in seating area and upholstery along with adding a new lobby seating area outside the Soul & Spice Indian restaurant, which is now in its 3rd successful year of operations. Major renovation works to enhance the guest stay includes an ongoing refurbishment of meeting rooms, and the main lobby.

For corporate meetings and events, the flexibility of six appointed meeting rooms with world-class technology and event management teams is much appreciated by guests.

ARRAYA BALLROOM

Proudly managed by Marriott International, the Arraya Ballroom is an epitome of luxury and unmatched elegance in the heart of Kuwait. Long renowned for hosting some of the country's most important and historic events and celebrations, this 1,500 square meter ballroom is one of the largest event venues in Kuwait with unparalleled meeting, event services and facilities. The Ballroom can be divided into six massive sub sections to fit any customized size, alongside a grand foyer and its own exclusive driveway with parking for over 1,000 vehicles.

Arraya Ballroom underwent various refurbishments in 2013, ranging from ceiling improvements making it easier for function organizers, to updating the paneling on the walls of the ballroom providing a richer feel. To complement the strong presence of the country's most prestigious events venue, Arraya Ballroom announced the unveiling of its new website at www.arrayaballroomkuwait.com a fully virtual setting for loyal and prospective guests.

The Ballroom, continuing with its celebrated theme of "A New Level of Creativity" - proudly features exquisite new lines of glassware, china ware, floral presentations, futuristic lighting and sound equipment along with a dedicated professional events management team capable of handling events of any size. The Ballroom's prowess in wedding cakes, ice carvings, themed food styles and presentations on a global level ensure that it is truly the leader and destination of choice for events in Kuwait.

AL-ASIMA PROJECT

One of the most promising projects on the local scale , which will be a milestone in Kuwait economy that will add a positive touch to Kuwait real estate market and its ability to recover. The cost of the project is scheduled to be KD 240 million. This project is owned by Al-Asima Real Estate Company, which is owned by Salhia Real Estate Company at a percentage rate of 99.74%. Salhia Real Estate Company is looking forward and tirelessly on all aspects in order to proceed with the project and construct the land of our beloved Kuwait to witness the start of the era of new economy supported by vital projects and creative ideas.

INTERNATIONAL INVESTMENTS

UNITED KINGDOM

KEY PROPERTY INVESTMENTS

The UK economy has made a strong recovery during the summer of 2013, exceeding market expectations. UK services have increased at their fastest rate since 1997, supported by growth in the financial and business sectors. Demand for offices has increased, and retail sales have stabilised particularly in the larger towns and cities, as well as in London.

The Central London real estate market has for a second consecutive quarter. Central London retail has also continued to attract strong demand from a range of international retailers. The shortage of available premises in prime locations has resulted in an increase in demand for other locations.

The London residential market has also continued to grow strongly, with sales volumes continuing to rise, a result of continued demand from overseas as well as economic recovery within the UK and increasing access to debt. Prime London still leads the way. This is expected to continue in the foreseeable future due to continuing demand and low interest rates.

KPI completed the sale of Elephant & Castle to a UK property company before KPI's year end for 80£ million, a price significantly above book value. This reflects the strong demand for central London development and investment stock. The decision to sell was not taken lightly and it required an exceptional offer to persuade the shareholders to sell.

Development and refurbishment at Farnborough town centre, another significant property ownership in the portfolio, is generating an increasing level of interest. A new multiscreen cinema is being constructed in the heart of the centre. Together with up to 5 restaurants, this is expected to noticeably increase footfall and activity. Established national and international retailers are also now looking at taking units in the town centre and there are other initiatives being undertaken.

There are many asset management, refurbishment and development opportunities throughout the portfolio and St Modwen continue to actively work the various properties to maximize income and sales values.

SALHIA INTERNATIONAL INVESTMENTS LTD.

BEORMA QUARTER BIRMINGHAM

Birmingham, arguably the UK's second most important city after London, has a metropolitan population of over 3.5 million. Today, Birmingham is a major international commercial centre and an important transport, retail, events and conference hub. Its' metropolitan economy is the second largest in the United Kingdom with a GDP of over £70 billion and its' six universities make it the largest centre of higher education and academic research in the country outside of London.

Salhia Real Estate Co K.S.C.P , through a Jersey based wholly owned subsidiary, Salhia Investments (Birmingham) Ltd (SIBL), has acquired a regeneration site of around 2 acres in the centre of Birmingham, adjacent to the Bullring Shopping Centre and Selfridges. The site is strategically located to take advantage of the future regeneration of the area now known as Southside and identified in the City Council's designated plans.

The site is situated between Birmingham New Street and Moor Street stations and is close to the proposed High Speed Rail 2 (HS2) London – Birmingham link station. Birmingham City Council have been enthusiastic in encouraging the proposed scheme as it sits adjacent areas designated in their Big City Plan and the site now lies in one of Birmingham's designated Enterprise Zones which will bring significant benefits to occupiers and the area.

Planning permission was obtained within 18 months for a major redevelopment of approximately 640,000 sqft (59,500 sq m) for offices, ancillary retail and a hotel on a partially derelict site. The planning permission established new heights and significant massing on the site, including the presence of a 27 storey tower, unusual in this location. The nature of the site, the presence of a Grade II Listed Coldstore building and other historical features make this project very complex in planning terms.

SIBL will undertake the development in three Phases. Construction of Phase 1, which includes a pre-let hotel to Adagio (Accor), commenced in December 2013 and is scheduled to be completed in May 2015. Phases 2 & 3 are subject to obtaining sufficient commitments from future tenants to enable bank financing for construction.

This is a very exciting and significant development which will contribute significantly to the changing face of Birmingham City Centre.

GERMANY

HADDIA HOLDING

Haddia Holding GmbH, our German subsidiary, is 90.89% owned by Salhia Real Estate Co. Haddia, through its subsidiary Dana GmbH, manages a total of 1,580 bed units in four properties and 13 nursing homes for assisted living apartments which are all located in the North Western region of Germany. These properties are all owned by SAREC, which is also a fully owned subsidiary of Haddia Holding GmbH. Haddia has its headquarters in Hannover and the entire group employs nearly 900 staff who are highly qualified and specialized in caring for the elderly.

Haddia has always maintained a very high standard of service and top class properties in order to provide the best living conditions and facilities available for its elderly clients. Throughout the year 2013, Dana maintained its market position of being one of Germany`s best operators in the field of geriatric care.

To meet the challenges of the changing market in this field, a new concept "DANA Lifestyle" was developed. "Dana Lifestyle" is a building with 20 apartments especially outfitted to provide for the highest level of comfort and special needs of its elderly clients and residents. This relatively compact size of building allows it to be constructed in central locations in various small German towns where there is a growing demand for housing the elderly which meets their special requirements and needs.

In the summer 2013, Haddia commenced with the construction of the first such building in Lauenburg which is located near Hamburg and in November 2013, Haddia started with the pre-construction preparations of the second building which is located in the city of Eutin close to the Baltic Sea. Both properties will be fully operational in 2014.

HUMAN RESOURCES

Salhia Real Estate Company has continued to develop its employees at all work sites to serve the company and its customers through the Human resources and Administration group, in which the customer service requires a base of highly skilled staff and specialists in the areas of the company supported by the latest technical and administrative systems.

The efficiency of the company›s staff selection reflects the quality of the company's management and its continuity in personnel investment by providing the best talents in all areas of work , continue in restructuring , updating the administrative and financial systems, which is reflected in allowing the staff to work more effectively and in an integrated manner, without any obstacles.

INFORMATION TECHNOLOGY

Salhia Utilizes sophisticated IT systems to accommodate all aspects of its business and development needs by incorporating highly qualified personnel and equipping them with the latest technology.

Exploring some of the new technologies to grasp the best ways to benefit Salhia in any upcoming projects.

Upgraded our main telephony systems to able to provide high level of service to our clients.

SALHIA REAL ESTATE COMPANY K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2013

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Rödl Middle East
Burgan - International Accountants

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (CONTINUED)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 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
EY
AL AIBAN, AL OSAIMI & PARTNERS

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

10th March 2014

Kuwait

Salhia Real Estate Company K.S.C.P. and Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
Revenues		46,109,061	45,321,068
Operating costs		(19,436,319)	(19,390,897)
Gross profit		26,672,742	25,930,171
Share in joint venture's results	9	13,174,075	1,443,909
General and administrative expenses		(4,224,752)	(4,044,807)
Depreciation	10,11	(6,260,059)	(6,261,103)
Sales and marketing expenses		(864,751)	(958,133)
Investment income	4	333,984	2,945,277
Foreign exchange (loss) gain		(86,832)	121,766
Interest income		260,169	153,281
Other income		253,600	254,440
Impairment loss on financial assets available for sale	8	(5,833,237)	(2,989,943)
Finance costs		(5,674,279)	(7,096,346)
Profit before tax		17,750,660	9,498,512
Foreign tax		(851,786)	(724,706)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' FEES		16,898,874	8,773,806
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(152,526)	(79,154)
National Labour Support tax (NLST)		(423,464)	(219,873)
Zakat		(152,526)	(79,154)
Directors' fees	19	(120,000)	(120,000)
PROFIT FOR THE YEAR		16,050,358	8,275,625
Attributable to:			
Equity holders of the Parent Company		16,010,674	8,254,536
Non-controlling interests		39,684	21,089
		16,050,358	8,275,625
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	32.3 fils	16.7 fils

The attached notes 1 to 26 form part of these consolidated financial statements.

Salhia Real Estate Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
Profit for the year		16,050,358	8,275,625
Other comprehensive income:			
Other comprehensive income to be reclassified to consolidated income statement in subsequent periods:			
Net movement in cumulative changes in fair value		(739,554)	1,755,646
Realized gain on sale of financial assets available for sale	4	(34,017)	(2,759,413)
Impairment loss transferred to consolidated statement of income	8	869,552	-
Exchange differences arising on translation of foreign operations		1,617,317	2,294,950
Other comprehensive income for the year		1,713,298	1,291,183
Total comprehensive income for the year		17,763,656	9,566,808
Attributable to:			
Equity holders of the Parent Company		17,461,036	9,524,186
Non-controlling interests		302,620	42,622
		17,763,656	9,566,808

The attached notes 1 to 26 form part of these consolidated financial statements.

Salhia Real Estate Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 KD	2012 KD
ASSETS			
Cash and bank balances	6	7,285,873	7,397,712
Fixed deposits		2,657,964	3,464,317
Inventories		328,239	369,842
Accounts receivable and other assets	7	6,904,552	5,024,348
Financial assets available for sale	8	11,318,456	17,008,769
Interest in joint venture	9	16,907,027	13,312,728
Investment properties	10	142,831,144	143,705,580
Property and equipment	11	86,042,042	87,498,060
TOTAL ASSETS		274,275,297	277,781,356
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and a financial institution	12	-	2,296,392
Accounts payable and other liabilities	13	16,644,670	16,906,989
Commercial financing	14	27,674,387	28,705,540
Islamic financing	15	86,750,000	97,000,000
TOTAL LIABILITIES		131,069,057	144,908,921
EQUITY			
Share capital	16	51,272,341	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	17	(3,941,495)	(3,941,495)
Treasury shares reserve	17	1,817,810	1,817,810
Statutory reserve	18	23,054,698	21,368,779
Voluntary reserve	18	20,489,290	20,489,290
Other reserve	20	-	(663,600)
Retained earnings		14,492,441	8,261,137
Fair value reserve		(1,744,539)	(1,840,520)
Foreign currency translation reserve		(280,147)	(1,634,528)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		140,215,562	130,184,377
Non-controlling interests		2,990,678	2,688,058
TOTAL EQUITY		143,206,240	132,872,435
TOTAL LIABILITIES AND EQUITY		274,275,297	277,781,356

Ghazi Fahad Alnafisi
Chairman

Faisal Abdul Mohsen Al-Khatrash
Vice Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

Salhia Real Estate Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

Attributable to equity holders of the Parent Company

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Retained earnings	Fair value reserve	Foreign Currency Translation reserve	Subtotal	Non-controlling interests	Total equity
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Balance at 1 January 2013	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 year	-	-	-	-	-	-	-	16,010,674	-	-	16,010,674	39,684	16,050,358
Other comprehensive income	-	-	-	-	-	-	-	-	95,981	1,354,381	1,450,362	262,936	1,713,298
Total comprehensive income	-	-	-	-	-	-	-	16,010,674	95,981	1,354,381	17,461,036	302,620	17,763,656
Transfer to retained earnings (Note 20b)	-	-	-	-	-	-	663,600	(663,600)	-	-	-	-	-
Dividends (Note 16)	-	-	-	-	-	-	-	(7,429,851)	-	-	(7,429,851)	-	(7,429,851)
Transfer to reserves	-	-	-	-	1,685,919	-	-	(1,685,919)	-	-	-	-	-
Balance at 31 December 2013	**51,272,341**	**35,055,163**	**(3,941,495)**	**1,817,810**	**23,054,698**	**20,489,290**	**-**	**14,492,441**	**(1,744,539)**	**(280,147)**	**140,215,562**	**2,990,678**	**143,206,240**
Balance at 1 January 2012	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 year	-	-	-	-	-	-	-	8,254,536	-	-	8,254,536	21,089	8,275,625
Other comprehensive loss	-	-	-	-	-	-	-	-	(1,003,767)	2,273,417	1,269,650	21,533	1,291,183
Total comprehensive loss	-	-	-	-	-	-	-	8,254,536	(1,003,767)	2,273,417	9,524,186	42,622	9,566,808
Acquisition of additional shares in a subsidiary (Note 20b)	-	-	-	-	-	-	(2,032,012)	-	-	-	(2,032,012)	2,032,012	-
Other adjustment in a subsidiary	-	-	-	-	-	-	1,368,412	-	-	(1,368,412)	-	-	-
Dividends (Note 16)	-	-	-	-	-	-	-	(7,429,851)	-	-	(7,429,851)	-	(7,429,851)
Transfer to reserve	-	-	-	-	879,489	-	-	(879,489)	-	-	-	-	-
Balance at 31 December 2012	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

The attached notes 1 to 26 form part of these consolidated financial statements.

Salhia Real Estate Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' feeS		16,898,874	8,773,806
Adjustments for:			
Share in joint venture's results, net of related tax	9	(12,550,890)	(935,695)
Depreciation	10,11	6,260,059	6,261,103
Provision for employees' terminal benefits		460,796	802,333
Investment income	4	(333,984)	(2,945,277)
Foreign exchange loss (gain)		86,832	(121,766)
Interest income		(260,169)	(153,281)
Finance costs		5,674,279	7,096,346
Impairment loss on financial assets available for sale	8	5,833,237	2,989,943
Write off of investment properties		-	118,728
		22,069,034	21,886,240
Changes in operating assets and liabilities			
Inventories		41,603	(34,887)
Accounts receivable and other assets		(1,880,204)	(269,864)
Accounts payable and other liabilities		1,325,008	747,846
Cash from operations		21,555,441	22,329,335
Employees' terminal benefits paid		(2,083,516)	(197,703)
KFAS paid		(79,154)	(68,119)
National Labour Support Tax paid		(237,525)	(196,900)
Zakat paid		(95,021)	(78,600)
Directors' fees paid		(120,000)	(120,000)
Net cash flows from operating activities		18,940,225	21,668,013
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(282,892)	(1,494,497)
Proceeds from sale of financial assets available for sale		34,017	6,226,994
Additions to investment properties and property and equipment	10,11	(2,020,926)	(1,546,378)
Proceeds from sale of investment properties and property and Equipment		12,808	6,663
Investment income received		299,967	185,864
Dividends received from joint venture	9	9,732,500	-
Interest income received		260,169	153,281
Fixed deposits		806,353	(188,392)
Net cash flows from investing activities		8,841,996	3,343,535
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings obtained		8,000,000	25,204,016
Repayment of commercial and Islamic financing		(20,582,432)	(20,800,959)
Due from a financial institution repaid		-	(421,102)
Finance costs paid		(5,585,385)	(6,808,682)
Dividends paid		(7,429,851)	(7,412,553)
Net cash flows used in financing activities		(25,597,668)	(10,239,280)
INCREASE IN CASH AND BANK BALANCES		2,184,553	14,772,268
Cash and cash equivalents at the beginning of the year		5,101,320	(9,670,948)
CASH AND BANK BALANCES AT THE END OF THE YEAR	6	7,285,873	5,101,320

The attached notes 1 to 26 form part of these consolidated financial statements.

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 10 March 2014. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C.P. and its subsidiaries listed in Note 20.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. It's registered office is located at Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

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 was published in the official Gazette on 6 October 2013. As per Article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990.

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for the revaluation at fair value of financial assets available for sale.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries including special purpose entities. Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interests.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in consolidated statement of income.
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquired. For each business combination, the acquirer measures the non controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is re-measured to fair value as at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in consolidated statement of income or as other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefits from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generation unit retained.

Revenue recognition

- Rental income is recognized on a straight-line basis over the lease term.
- Interest income is recognized as it accrues using the effective interest rate method ("EIR").
- Hotel and care home income represents the invoiced value of services provided during the year.
- Dividend income is recognized when the Group's right to receive payment is established.
- Gain on sale of property is recognized when the sale has been consummated and the contracts have been signed, the significant risks and rewards of ownership have passed to the buyers and the Group has no continuing involvement in the property.
- Gain on sale of investments is recognized on a trade date basis.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For purpose of the consolidated statement of cash flows, cash and cash equivalents are short-term, highly liquid investments including short-term fixed deposits that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value, net of due to banks contractually due within three months.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within scope of IAS 39 are classified as financial assets at fair value through statement of income, loans and receivables, held-to-maturity investments or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through statement of income, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, fixed deposits, receivables and financial assets available for sale.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any. Losses arising from impairment are recognised in the consolidated statement of income.

Financial assets available for sale

Financial assets available for sale include equity securities. Equity securities classified as available for sale are those, which neither classified as held for trading nor designated at fair value through statement of income. Investments in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

After initial recognition, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as cumulative changes in fair values in other comprehensive income until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss is removed from the fair value reserve and recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are stated as cost less impairment losses, if any.

Derecognition

A financial asset (or, where applicable, a part of financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive the cash flows from the asset have expired;
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability.The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(ii) Impairment and uncollectibility of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets available-for-sale

For financial asset available for sale, the Group assesses at each financial position date whether there is objective evidence that an investment or a group of investments is impaired.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

In the case of equity investment classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income – is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

In relation to accounts receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through statement of income and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, directly attributable transactions costs.

The Group's financial liabilities include accounts payable, certain other liabilities, commercial financing, Islamic financing and due to banks and a financial institution. At 31 December 2013, the Group did not have any financial liabilities at fair value through statement of income.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities (continued)

Commercial financing

After initial recognition, interest bearing commercial financing is subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Islamic financing

Islamic financing represents Murabaha and Wakala financing taken under Murabaha and Wakala arrangements. Islamic financing is stated at the gross amount of the payable, net of deferred cost payable. Deferred cost payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and the Group intends to settle on a net basis, or to realise the assets and liabilities simultaneously.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iv) Offsetting of financial instruments (continued)

Fair values (continued)

Fair value of financial instruments

For financial instruments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Financial instruments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Amortised cost

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement. After such reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(iv) Offsetting of financial instruments (continued)

Inventories

Inventories of food and beverages are valued at the lower of cost and net realizable value after making due allowance for any expired or slow-moving items. Cost is determined by the first-in, first-out method.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

Interest in joint venture

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of interest in joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The joint venture's financial statements are prepared to the Parent Company's reporting date or to a date not earlier or later than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments for non-uniform accounting policies are made to the joint venture's financial statements to bring them in line with the Group's accounting policies.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provision for impairment. Buildings are depreciated using the straight line method over their estimated useful lives which vary between 10 to 50 years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(iv) Offsetting of financial instruments (continued)
Investment properties (continued)

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(iv) Offsetting of financial instruments (continued)
Property and equipment (continued)

• Buildings and related immovable equipment	10 to 50 years
• Furniture and equipment	10 years
• Motor vehicles	5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

Capital work in progress

Capital work in progress is carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.

The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(iv) Offsetting of financial instruments (continued)

Share-based payment transactions

The Group operates an equity-settled, share-based employee share options plan (ESOP). Under the terms of the plan, share options are granted to eligible employees and are exercisable at the end of the vesting period. The fair value of the options is recognized as an expense over the vesting period with a corresponding effect in equity. The fair value of the options is determined using the Black-Scholes option pricing model.

The proceeds received from the exercise of the share options are credited to share capital (nominal value) and share premium when the options are exercised.

Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

Contingencies

Contingent liabilities are not recognized on the consolidated statement of financial position. They are disclosed in the consolidated financial statement unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized on the consolidated statement of financial position, but disclosed in the consolidated financial statement when an inflow of economic benefits is probable.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
(iv) Offsetting of financial instruments (continued)
Foreign currency translation (continued)

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new or amended IFRS relevant to 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 profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges 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 19: Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard requires the recognition of actuarial gains and losses in other comprehensive income and impacts the net benefit expense as the expected return on plan assets is now calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment did not have an impact on the Group's financial position and performance.

IAS 28 Investments in Associates and Joint Ventures

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard did not have any material impact on the consolidated financial statements of the Group.

2.4 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off 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 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard did not have any material impact on the consolidated financial statements of the Group as the Group has not entered into any such arrangements.

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. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by the Group, compared with the requirements that were in IAS 27. The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the entity. The Group 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. Once control is established, the standard requires the Group to start consolidating the investee from the date the investor obtains control of the investee and cease consolidation when the investor loses control of the investee. This did not have any material impact on the consolidated financial statements 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 statement 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. This did not have any material impact on the consolidated financial statements of the Group.

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 adoption of this standard does not have any material impact on the financial position or performance of the Group.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2015, but International Accounting Standards Board ("IASB") in its July 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would have any impact on the Group.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

The application of these standards will be made in the consolidated financial statements when these standards become effective. The Parent Company's management is yet to assess the impact of the application of these standards on the consolidated financial statements of the Group.

IAS 36: Impairment of Assets – Recoverable amount Disclosures of Non-financial Assets (Amendments)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36.

In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted these amendments to IAS 36

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 36 (continued)

In the current Adoption of other new or amended Standards are not expected to have material effect on the consolidated financial position or financial performance of the Group. Additional disclosures will be made in the consolidated financial statements when these standards become effective.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following significant judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Classification of real estate

Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Classification of real estate (Continued)

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies property as property and equipment when it is acquired for owner occupation.

Classification of equity investments

All investments are classified as available for sale.

Impairment of financial assets available for sale

The Group treats financial assets available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity instruments

Valuation of unquoted equity instruments is normally based on one of the following:

- Recent arm's length market transactions.
- Current fair value of another instrument that is substantially the same.
- An earnings multiple or industry specific earnings multiple.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of unquoted equity instruments (continued)

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment (see note 8).

Fair value measurements

The Group measures certain financial instruments, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair values of financial instruments and further are provided in Note 8.

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

4 INVESTMENT INCOME

	2013 KD	2012 KD
Gain on sale of financial assets available for sale	34,017	2,759,413
Dividend income	299,967	185,864
	333,984	2,945,277

5 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic:

Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (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 year 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 year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 31 December 2013.

	2013	2012
Profit for the year attributable to equity holders of the Parent Company (KD)	16,010,674	8,254,536
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	495,323,413	495,323,413
Basic and diluted earnings per share attributable to equity holders of the Parent Company	32.3 fils	16.7 fils

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

6 CASH AND CASH EQUIVALENTS

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

	2013 KD	2012 KD
Cash and bank balances	**7,285,873**	7,397,712
Due to banks contractually due within three months (Note 12)	**-**	(2,296,392)
Cash and cash equivalents as per the consolidated statement of cash flows	**7,285,873**	5,101,320

Bank balances represent non-interest bearing current bank accounts held with commercial banks.

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2013 KD	2012 KD
Hotel guests and care home residents receivables	**2,785,620**	1,484,501
Rent receivable	**168,637**	379,451
Staff receivables (Note 21)	**287,088**	720,700
Deposits and prepaid expenses	**402,681**	491,761
Advance payments to contractors	**278,817**	55,202
Other receivables	**2,981,709**	1,892,733
	6,904,552	5,024,348

Hotel guests, care home residents receivables and rent receivable are non-interest yielding and are generally on 30-90 days terms. Movement in the impairment of hotel guests and rent receivable is as follows:

	2013 KD	2012 KD
At 1 January	**392,951**	248,203
Charge of impairment for the year	**4,460**	170,000
Amount written off	**-**	(25,252)
At 31 December	**397,411**	392,951

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

As at 31 December, the analysis of hotel guests, care home residents receivables and rent receivable that were past due but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired	< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	> 120 days	Total
	KD	KD	KD	KD	KD	KD	KD
2013	**133,555**	**1,065,134**	**1,147,610**	**190,079**	**67,144**	**350,735**	**2,954,257**
2012	148,264	393,697	334,217	343,094	208,789	435,891	1,863,952

Hotel guests, care home residents receivables and rent receivable include amounts denominated in the following major currencies:

	2013	2012
	KD	KD
Kuwaiti Dinar	**2,733,350**	1,640,633
EURO	**220,907**	223,319
	2,954,257	1,863,952

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

8 FINANCIAL ASSETS AVAILABLE FOR SALE

	2013 KD	2012 KD
Managed quoted portfolios	2,470,957	2,061,900
Managed funds	454,037	457,798
Unquoted securities	8,393,462	14,489,071
	11,318,456	17,008,769

	2013 KD	2012 KD
Local investments	4,662,902	5,534,110
Foreign investments	6,655,554	11,474,659
	11,318,456	17,008,769

Managed quoted portfolios represent local and foreign equity investments are carried at market bid prices and fair values as reported by the portfolio managers. During the year, the Parent Company recorded an impairment loss of KD Nil and KD 261,955 (2012: KD 8,031 and KD 98,775) against local and foreign equity investments respectively.

Investments in managed funds are carried at the latest net asset value provided by the fund managers.

Unquoted equity securities amounting to KD 7,294,968 (2012: KD 7,800,319) 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 lay. The management recorded an impairment loss of KD 497,470 (2012: KD 173,051) against these investments based on the most recently available information to them.

Unquoted equity securities amounting to KD 1,098,494 (2012: KD 2,222,537) are carried at fair value as reported by the portfolio manager. During the year the Parent company recorded an impairment loss of KD 607,597 (2012: Nil) against these investments.

Unquoted equity securities include an investment with a carrying value of KD Nil (2012: KD 4,466,215) 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. During the year, the Group recorded an impairment loss of KD 4,466,215 (2012: KD 2,710,086) in the consolidated statement of income.

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

8 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

The following table provides the fair value measurement hierarchy of the Group's financial assets available for sale:

31 December 2013	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed portfolios	2,470,957	-	-	2,470,957
Managed funds	-	454,037	-	454,037
Unquoted securities	-	-	492,651	492,651
	2,470,957	454,037	492,651	3,417,645

31 December 2012	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Managed portfolios	2,061,900	-	-	2,061,900
Managed funds	-	457,798	-	457,798
Unquoted securities	-	-	5,132,327	5,132,327
	2,061,900	457,798	5,132,327	7,652,025

8 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

During the year ended 31 December 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.

The following table shows a reconciliation of the beginning and closing balances of the financial instruments classified in level 3 of the fair value hierarchy:

31 December 2013	At 1 January 2013	Loss recorded in the consolidated income statement	Gain recorded in equity	Net purchases, sales, transfers and settlements	At 31 December 2013
	KD	KD	KD	KD	KD
Assets measured at fair value					
Financial assets available for sale					
Unquoted securities	5,132,327	(5,073,812)	434,136	-	492,651

31 December 2012	At 1 January 2012	Loss recorded in the consolidated income statement	Gain/(Loss) recorded in equity	Net purchases, sales, transfers and settlements	At 31 December 2012
	KD	KD	KD	KD	KD
Assets measured at fair value					
Financial assets available for sale					
Unquoted securities	7,842,413	(2,710,086)	-	-	5,132,327

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

9 INTEREST IN JOINT VENTURE

This represents the Group's 50% (2012: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments, engaged in real estate leasing and development.

	2013 KD	2012 KD
Carrying amount of the investment in the joint venture:		
At 1 January	13,312,728	10,439,964
Share in the joint venture's results	13,174,075	1,443,909
Share in the joint venture's tax	(623,185)	(508,214)
Dividend received	(9,732,500)	-
Foreign currency translation adjustment	775,909	1,937,069
At 31 December	16,907,027	13,312,728
Share of joint venture entity's statement of financial position:		
Current assets	3,490,806	3,408,405
Long-term assets	27,063,264	43,083,692
Current liabilities	(6,440,819)	(6,288,783)
Long-term liabilities	(7,206,224)	(26,890,586)
Net assets	16,907,027	13,312,728
Share of joint venture entity's revenue and results:		
Revenues	6,125,766	8,632,005
Results after tax	12,550,890	935,695

Salhia Real Estate Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

10 INVESTMENT PROPERTIES

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Balance at 1 January 2013	101,602,896	40,906,364	1,196,320	143,705,580
Additions	787,581	16,000	-	803,581
Depreciation charge for the year	-	(1,757,603)	-	(1,757,603)
Foreign currency translation adjustment	79,586	-	-	79,586
Balance at 31 December 2013	**102,470,063**	**39,164,761**	**1,196,320**	**142,831,144**
Cost	109,085,697	58,783,826	1,196,320	169,065,843
Accumulated depreciation		(19,619,065)		(19,619,065)
Impairment provision	(6,615,634)	-	-	(6,615,634)
Balance at 31 December 2013	**102,470,063**	**39,164,761**	**1,196,320**	**142,831,144**

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Balance at 1 January 2012	99,085,811	42,645,228	1,307,358	143,038,397
Additions	417,346	18,411	-	435,757
Transfers from property under construction (Note 11)	1,867,434	-	-	1,867,434
Depreciation charge for the year	-	(1,757,275)	-	(1,757,275)
Disposals/write off	(3,840)	-	(114,888)	(118,728)
Foreign currency translation adjustment	236,145	-	3,850	239,995
Balance at 31 December 2012	101,602,896	40,906,364	1,196,320	143,705,580
Cost	108,218,530	58,767,826	1,196,320	168,182,676
Accumulated depreciation	-	(17,861,462)	-	(17,861,462)
Impairment provision	(6,615,634)	-	-	(6,615,634)
Balance at 31 December 2012	101,602,896	40,906,364	1,196,320	143,705,580

10 INVESTMENT PROPERTIES (continued)

nvestment properties with a carrying value of KD 4,898,246 (2012: KD 4,749,310) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of the properties.

The fair value of investment properties amounted to KD 343,879,464 (2012: KD 336,065,033) at the reporting date based on valuations obtained from two independent appraiser, who are industry specialists in valuing these types of investment properties. One of these appraiser is a local bank and the other is a local reputable accredited appraiser using mixed acceptable methods of valuation such as sales comparison, income capitalization and market comparable method. As significant valuation inputs used are based on unobservable market data, these are classified under level 3 fair value hierarchy.

Properties under construction amounting to KD 1,196,320 (2012: KD 1,196,320) are carried at cost as the fair value cannot be reliably determined until such time the construction is complete.

11 PROPERTY AND EQUIPMENT

	Freehold land KD	Buildings KD	Furniture and equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Balance at 1 January 2013	12,652,854	66,604,611	7,054,003	75,459	1,111,133	87,498,060
Additions	-	235	925,982	52,835	238,293	1,217,345
Disposals	-	-	(100,336)	(56,653)	(1,008)	(157,997)
Transfers from capital work in progress	-	16,315	758,884	-	(775,199)	-
Depreciation charge for the year	-	(2,281,212)	(2,189,852)	(31,392)	-	(4,502,456)
Depreciation related to disposals	-	-	88,536	56,653	-	145,189
Foreign currency translation adjustment	247,552	1,537,080	54,573	-	2,696	1,841,901
Balance at 31 December 2013	**12,900,406**	**65,877,029**	**6,591,790**	**96,902**	**575,915**	**86,042,042**
Cost	12,900,406	99,595,037	35,584,516	379,870	575,915	149,035,744
Accumulated depreciation	-	(33,718,008)	(28,992,726)	(282,968)	-	(62,993,702)
Net carrying amount at 31 December 2013	**12,900,406**	**65,877,029**	**6,591,790**	**96,902**	**575,915**	**86,042,042**

11 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	Buildings KD	Furniture and equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Balance at 1 January 2012	12,496,224	67,843,721	8,303,817	85,289	2,709,055	91,438,106
Additions	-	9,425	852,569	25,239	223,388	1,110,621
Disposals	-	-	(6,663)	-	-	(6,663)
Transfers to investment properties (Note 10)	-	-	-	-	(1,867,434)	(1,867,434)
Transfers from capital work in progress	-	-	11,787	-	(11,787)	-
Depreciation charge for the year	-	(2,312,223)	(2,156,536)	(35,069)	-	(4,503,828)
Foreign currency translation adjustment	156,630	1,063,688	49,029	-	57,911	1,327,258
Balance at 31 December 2012	12,652,854	66,604,611	7,054,003	75,459	1,111,133	87,498,060
Cost	12,652,854	98,041,407	33,945,413	383,688	1,111,133	146,134,495
Accumulated depreciation	-	(31,436,796)	(26,891,410)	(308,229)	-	(58,636,435)
Net carrying amount at 31 December 2012	12,652,854	66,604,611	7,054,003	75,459	1,111,133	87,498,060

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

12 DUE TO BANKS AND A FINANCIAL INSTITUTION

	2013 KD	2012 KD
Due to banks (Note 6)	-	2,296,392
	-	2,296,392

Due to banks represents bank overdraft subject to effective interest rate ranging from 3.5%-3.75% per annum (2012: 4%-4.25% per annum).

13 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2013 KD	2012 KD
Accounts payable	4,983,347	4,445,176
Retentions payable	123,071	123,071
Due on purchase of investment property	1,193,996	1,148,978
Accrued expenses	4,467,134	3,600,317
Deposits from tenants, hotel and care home guests	625,909	514,049
Rents received in advance	1,163,013	951,565
Employees' terminal benefits	2,843,885	4,839,485
Other payables	1,244,315	1,284,348
	16,644,670	16,906,989

14 COMMERCIAL FINANCING

Commercial financing are contractually due for repayment as follows:

	2013 KD	2012 KD
Installments payable within one year	1,715,774	1,133,392
Installments payable within one year to two years	991,567	1,194,243
Installments payable within two years to three years	1,030,781	1,243,716
Installments payable within three years to four years	1,052,417	1,311,801
Installments payable after four years	22,883,848	23,822,388
	27,674,387	28,705,540

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

14 COMMERCIAL FINANCING (continued)

Commercial financing are denominated in the following currencies:

	2013 KD	2012 KD
Euro	26,928,475	27,976,524
GBP	745,912	729,016
	27,674,387	28,705,540

Commercial financing are repayable in periodic installments over variable periods of time with maturities extending to December 2030.

Commercial financing dominated in Kuwaiti Dinar carry variable interest rates, which range from 1.5% to 1.75% per annum (2012: 1.5% to 2.5% per annum) over the Central Bank of Kuwait discount rate. The foreign currency financing carries variable interest rates which range from 1.5% to 2% per annum (2012: 1.5% to 2.5% per annum) over Euribor.

Commercial financing amounting to KD 27,674,387 (2012: KD 28,705,540) has been obtained by a foreign subsidiary under the terms of which lenders have no recourse to the Parent Company in the event of default.

15 ISLAMIC FINANCING

	2013 KD	2012 KD
Murabaha financing	77,250,000	87,500,000
Wakala financing	9,500,000	9,500,000
	86,750,000	97,000,000

Islamic financing are contractually due for repayment as follows:

	2013 KD	2012 KD
Installments payable within one year	10,166,667	11,225,000
Installments payable within one year to two years	11,416,667	18, 691,667
Installments payable within two years to three years	25,416,667	5,916,667
Installments payable within three years to four years	4,416,667	13,916,667
Installments payable after four years	35,333,332	47,249,999
	86,750,000	97,000,000

15 ISLAMIC FINANCING (continued)

The average profit rate attributable to Islamic financing during the years is 1.75% per annum (2012: 2% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 53,000,000 has been obtained by a local subsidiary acquired during 2011, and is secured by an investment property with a carrying value of KD 80,239,517 owned by the Group. Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default.

16 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.

As at 31 December 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).

For the year ended 31 December 2013, the Board of Directors of the Parent Company has proposed cash dividends of 20 fils (2012: 15 fils) per share. This proposal is subject to the approval of the annual general assembly of the shareholder's of the Parent Company.

17 TREASURY SHARES

At 31 December 2013, the Parent Company held 17,400,000 (2012: 17,400,000) of its own shares, equivalent to 3.39% (2012: 3.39%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 6,699,000 (2012: KD 6,438,000). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non distributable.

18 STATUTORY, VOLUNTARY AND GENERAL RESERVES

As required by the Companies Law and the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward, is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals or exceeds 50% of paid-up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

As required by the Parent Company's articles of association, 10% of profit for the year before contribution to KFAS, NLST, Zakat and directors' fees and after offsetting accumulated losses brought forward is required to be transferred to voluntary reserve.

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

19 DIRECTORS' FEES

Directors' fees of KD 120,000 are subject to approval by the annual general assembly of the shareholders of the Parent Company. Directors' fees of KD 120,000 for the year ended 31 December 2012 were approved by the annual general assembly of the shareholders of the Parent Company held on 10 April 2013.

20 SUBSIDIARIES

Details of subsidiaries are set out below:

	31 December 2013	31 December 2012		
Directly held:				
Haddia Holding GMBH	**90.89%**	90.89%	Germany	Holding company
Drawbridge Securities Limited (a)	**50.00%**	50.00%	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	**99.74%**	99.74%	Kuwait	Real estate
Held through Haddia Holding GMBH:				
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 Pfegediente 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
Held through Salhia International Investments Limited:				
Salhia Jersey Limited	100.00%	100.00%	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	100.00%	100.00%	United Kingdom	Real estate
Ingelby Limited (b)	100.00%	100.00%	United Kingdom	Property development

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

20 SUBSIDIARIES (continued)

The financial year end of all the above subsidiaries is 31 December except for Drawbridge securities limited, Ingelby limited and Salhia International Investment which have a financial year end of 30 November.

a. During the year ended 31 December 2013, the Group continued to consolidate Drawbridge Securities Limited, DANA Lebensstil GmbH, Dana Senioreneinrichtungen GMBH, Dana Ambulante Pfegedienste 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.

b. During the current year, the Group transferred other reserve of KD 663,600 resulted from the acquisition of additional 50% interest during last year to retained earnings.

21 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, 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 and dealing with the group. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2013 KD	2012 KD
Directors fees	120,000	120,000
Consultation fees	150,000	-

Balances with related parties included in the consolidated statement of financial position are as follows:

	Major shareholders *KD*	*Other related parties* *KD*	Total 2013 KD	Total 2012 KD
Staff receivables	*118,258*	*168,830*	287,088	720,700

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

21 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2013 KD	2012 KD
Short-term benefits	401,365	420,081
Employees' end of service benefits	107,223	344,942
	508,588	765,023

22 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.

Segment results include revenue and expenses directly attributable to a segment.

- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through JW Marriott Hotel – Kuwait, Courtyard Marriott Hotel-Kuwait and Arraya Ball Room - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

22 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2013				31 December 2012			
	Real estate operations	Hotel operations	Care home operations	Total	Real estate operations	Hotel operations	Care home operations	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Segment revenue	16,583,325	14,048,145	15,477,591	46,109,061	16,157,307	13,033,571	16,130,190	45,321,068
Segment operating costs	(3,114,816)	(5,217,349)	(11,104,154)	(19,436,319)	(2,924,913)	(5,032,619)	(11,433,365)	(19,390,897)
Segment gross profit	13,468,509	8,830,796	4,373,437	26,672,742	13,232,394	8,000,952	4,696,825	25,930,171
Share in joint venture's results	13,174,075	-	-	13,174,075	1,443,909	-	-	1,443,909
Depreciation	(3,085,961)	(1,981,640)	(1,192,458)	(6,260,059)	(3,076,304)	(1,945,551)	(1,239,248)	(6,261,103)
Other operating expenses	(2,565,316)	(1,189,021)	(1,335,166)	(5,089,503)	(2,605,219)	(1,122,618)	(1,275,103)	(5,002,940)
Finance costs	(4,248,127)	(86,651)	(1,339,501)	(5,674,279)	(5,299,511)	(93,825)	(1,703,010)	(7,096,346)
Foreign tax	(623,185)	-	(228,601)	(851,786)	(496,954)	-	(227,752)	(724,706)
Segment results	16,119,995	5,573,484	277,711	21,971,190	3,198,315	4,838,958	251,712	8,288,985
Interest income				260,169				153,281
Investment income				333,984				2,945,277
Impairment loss on financial assets available for sale				(5,833,237)				(2,989,943)
Other non-operating income				166,768				376,206
KFAS, NLST, Zakat and Directors' fees				(848,516)				(498,181)
Profit for the year				16,050,358				8,275,625
Other information:								
Segment assets	208,506,844	6,108,600	42,752,826	257,368,270	216,274,315	5,510,194	42,684,119	264,468,628
Investment in joint venture	16,907,027	-	-	16,907,027	13,312,728	-	-	13,312,728
Total assets	225,413,871	6,108,600	42,752,826	274,275,297	229,587,043	5,510,194	42,684,119	277,781,356
Segment liabilities	99,652,315	2,723,785	28,692,957	131,069,057	112,570,762	2,578,817	29,759,342	144,908,921
Capital expenditure	1,739,862	-	281,064	2,020,926	1,380,101	-	166,277	1,546,378

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

22 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2013			31 December 2012		
	Kuwait and GCC KD	Europe KD	Total KD	Kuwait and GCC KD	Europe KD	Total KD
Revenue	30,631,470	15,477,591	46,109,061	29,190,878	16,130,190	45,321,068
Assets	224,090,586	50,184,711	274,275,297	216,360,876	61,420,480	277,781,356
Capital expenditure	1,157,513	863,413	2,020,926	965,569	580,809	1,546,378

23 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivatives financial instruments such as commercial financing, Islamic financing, due to banks and a financial institutions and account payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, cash and bank balances and short-term fixed deposits, which arise directly from its operations. The Group also holds financial assets available for sale.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors and Executive Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk.

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its bank balances, fixed deposits, due to banks and financial institution, and commercial financing which are both at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between floating rate and fixed rate borrowings.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's floating rate financial instruments held at each reporting date. All other variables are held constant.

	Increase in basis points	Effect on profit before KFAS, ,NLST Zakat and Directors' fees KD
2013		
Kuwaiti Dinar	**25**	**(216,875)**
Euro	**50**	**(134,642)**
GBP	**25**	**(1,865)**
2012		
Kuwaiti Dinar	25	(239,580)
Euro	50	(139,979)
GBP	25	(1,823)

Sensitivity to interest rates movement will be on symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Market risk (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries, as the Group's exposure to foreign currency monetary assets and liabilities is not significant.

The following table demonstrates the sensitivity to changes in currency rates, with all other variables held constant:

	2013			2012		
Currency	Change in currency rate in %	Effect on profit KD	Effect on other comprehensive income KD	Change in currency rate in %	Effect on profit KD	Effect on other comprehensive income KD
US Dollar	-1%	(998)	(16,088)	-1%	(421)	(114,747)
Euro	-3%	-	(758,432)	-3%	-	838,402
Pound Sterling	-1%	-	18,313	-1%	-	(21,082)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities listed on the Kuwait Stock Exchange and a portfolio of foreign investments (managed by foreign financial institutions) sensitive to recognised international indices.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets available for sale at 31 December 2013) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2013		2012	
Market indices	Change in equity price %	Effect on other Comprehensive income KD	Change in equity price %	Effect on other Comprehensive income KD
Kuwait	+/-5	118,757	+/-5	186,385
International	+/-5	35,396	+/-5	50,707

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counter-parties, and groups of counter-parties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counter-parties.

The Group's maximum exposure to credit risk is limited to the carrying amounts of financial assets recognized at the reporting date, as summarized below:

	2013 KD	2012 KD
Cash and bank balances	**7,285,873**	7,397,712
Fixed deposits	**2,657,964**	3,464,317
Accounts receivable (Note 7)	**2,954,257**	1,863,952
Total exposure of credit risk	**12,898,094**	12,725,981

The credit risk exposure for bank balances and fixed deposits is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to a single counter party is KD 1,799,910 (2012: KD 769,320). There are no significant concentrations of credit risk within the Group.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, commercial and Islamic financing.

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 and 31 December 2012 based on contractual undiscounted payments:

Year ended 31 December 2013	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Accounts payable and accruals	4,167,109	3,503,589	498,040	8,475,932	16,644,670
Commercial financing	526,034	529,317	940,966	36,672,139	38,668,456
Islamic financing	1,706,969	1,956,754	9,565,771	89,408,288	102,637,782
TOTAL LIABILITIES	6,400,112	5,989,660	11,004,777	134,556,359	157,950,908

Year ended 31 December 2012	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Due to banks and financial institution	2,296,392	-	-	-	2,296,392
Accounts payable and accruals	3,799,532	2,624,195	1,891,299	8,591,963	16,906,989
Commercial financing	646,743	646,743	1,293,486	39,952,872	42,539,844
Islamic financing	2,408,082	2,153,946	10,518,964	105,548,589	120,629,581
TOTAL LIABILITIES	9,150,749	5,424,884	13,703,749	154,093,424	182,372,806

Salhia Real Estate Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

23 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

Financial liabilities	3 to 12 months KD	1 to 5 years KD	Total KD
2013			
Contingent liabilities	16,761,566	-	16,761,566
Commitments	8,080,578	10,252,000	18,332,578
Total	**24,842,144**	**10,252,000**	**35,094,144**
2012			
Contingent liabilities	16,761,566	-	16,761,566
Commitments	3,412,500	11,389,571	14,802,071
Total	20,174,066	11,389,571	31,563,637

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summaries the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents, fixed deposits, accounts receivable and other assets, accounts payable and other liabilities, interest bearing loans and borrowings at the year end is based on contractual repayment arrangements. The maturity profile for the remaining assets is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

The maturity profile of assets and liabilities was as follows:

31 December 2013 ASSETS	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Cash and cash equivalents	7,285,873	-	-	-	7,285,873
Fixed deposits	-	2,657,964	-	-	2,657,964
Inventories	328,239	-	-	-	328,239
Accounts receivables and other assets	3,895,479	1,758,523	664,530	586,020	6,904,552
Financial assets available for sale	-	-	1,917,731	9,400,725	11,318,456
Investment in joint venture	-	-	-	16,907,027	16,907,027
Investment properties	-	-	-	142,831,144	142,831,144
Property and equipment	-	-	-	86,042,042	86,042,042
TOTAL ASSETS	11,509,591	4,416,487	2,582,261	255,766,958	274,275,297
LIABILITIES					
Accounts payable and other liabilities	4,167,109	3,503,589	498,040	8,475,932	16,644,670
Commercial financing	291,299	294,582	1,129,893	25,958,613	27,674,387
Islamic financing	937,500	1,187,500	8,041,667	76,583,333	86,750,000
TOTAL LIABILITIES	5,395,908	4,985,671	9,669,600	111,017,878	131,069,057

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

24 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2012 ASSETS	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Cash and cash equivalents	7,397,712	-	-	-	7,397,712
Fixed deposits	-	3,464,317	-	-	3,464,317
Inventories	369,842	-	-	-	369,842
Accounts receivables and other assets	2,463,077	1,777,862	183,776	599,633	5,024,348
Financial assets available for sale	-	-	3,488,792	13,519,977	17,008,769
Investment in joint venture	-	-	-	13,312,728	13,312,728
Investment properties	-	-	-	143,705,580	143,705,580
Property and equipment	-	-	-	87,498,060	87,498,060
TOTAL ASSETS	10,230,631	5,242,179	3,672,568	258,635,978	277,781,356
LIABILITIES					
Due to banks and a financial Institution	2,296,392	-	-	-	2,296,392
Accounts payable and other liabilities	3,799,531	2,624,195	1,891,299	8,591,964	16,906,989
Commercial financing	283,348	283,348	566,696	27,572,148	28,705,540
Islamic financing	1,437,500	1,187,500	8,600,000	85,775,000	97,000,000
TOTAL LIABILITIES	7,816,771	4,095,043	11,057,995	121,939,112	144,908,921

25 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2013 KD	2012 KD
Letters of guarantee	16,761,566	16,761,566
Construction projects	18,332,578	14,802,071
	35,094,144	31,563,637

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, due to banks and a financial institution, accounts payable and other liabilities, and commercial and Islamic financing, less cash and bank balances. Capital includes equity attributable to the equity holders of the Parent Company less fair value reserve.

Salhia Real Estate Company K.S.C.P. and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

26 CAPITAL MANAGEMENT (continued)

	2013 KD	2012 KD
Due to banks and a financial institution	-	2,296,392
Accounts payable and other liabilities	16,644,670	16,906,989
Term financing	114,424,387	125,705,540
Less: Cash and bank balances	(7,285,873)	(7,397,712)
Net debt	123,783,184	137,511,209
Equity attributable to the equity holders of the Parent Company	140,215,562	130,184,377
Less: Fair value reserve	(1,744,539)	(1,840,520)
Total capital	141,960,101	132,024,897
Capital and net debt	265,743,285	269,536,106
Gearing ratio	47%	51%