

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

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

30 JUNE 2019

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

Report on the Interim Condensed Consolidated Financial Information

We have reviewed the accompanying interim condensed consolidated statement of financial position of Salhia Real Estate Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2019 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: ‘*Interim Financial Reporting*’ (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As at 30 June 2019, the interim condensed consolidated financial information includes amounts in respect of an investment in a joint venture based on management accounts, as reviewed interim financial information is not available in respect of this joint venture. The carrying value of the joint venture included in the interim condensed consolidated financial position amounted to KD 9,454,521 as at 30 June 2019 (31 December 2018: KD 8,352,038 and 30 June 2018: KD 7,658,602) and the share of the joint venture’s results net of tax for the six months period ended 30 June 2019 included in the interim condensed consolidated statement of income is a profit of KD 881,237 (30 June 2018: KD 3,215,711). We were unable to obtain sufficient appropriate audit evidence about the carrying value of the investment in joint venture. Consequently we were unable to determine whether any adjustment to this amount was necessary.

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

Report on the Interim Condensed Consolidated Financial Information (continued)

Qualified Conclusion

Based on our review, except for the matter described in the Basis of Qualified Conclusion in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, except for the matter described in the “Basis of Qualified Conclusion” above, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association during the six-month period ended 30 June 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

7 August 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 30 June 2019

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue	11,270,358	11,367,486	23,216,014	23,538,148
Operating costs	(4,910,501)	(4,953,762)	(9,558,420)	(10,399,075)
Gross profit	6,359,857	6,413,724	13,657,594	13,139,073
Share of joint venture's results, net of tax	685,241	553,340	881,237	3,215,711
General and administrative expenses	(1,170,693)	(1,367,220)	(2,566,496)	(3,351,372)
Depreciation	(1,465,085)	(1,338,938)	(2,818,800)	(2,685,336)
Sales and marketing expenses	(126,883)	(125,369)	(272,944)	(290,775)
Investment income	465,809	78,428	476,945	78,428
Foreign exchange loss	(19,131)	(130,250)	(26,406)	(27,822)
Interest income	3,486	3,149	7,939	9,382
Other income, net	92,554	14,603	150,711	65,839
Gain on sale of property	-	-	-	254,070
Finance costs	(401,734)	(177,283)	(705,891)	(364,483)
Profit before tax	4,423,421	3,924,184	8,783,889	10,042,715
Taxation on overseas subsidiaries	(52,731)	(48,796)	(97,006)	(106,593)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	4,370,690	3,875,388	8,686,883	9,936,122
KFAS	(43,429)	(38,419)	(86,369)	(98,518)
NLST	(108,572)	(96,048)	(215,923)	(246,295)
Zakat	(43,429)	(38,419)	(86,369)	(98,518)
PROFIT FOR THE PERIOD	4,175,260	3,702,502	8,298,222	9,492,791
Attributable to:				
Equity holders of the Parent Company	4,147,459	3,669,021	8,248,248	9,408,451
Non-controlling interests	27,801	33,481	49,974	84,340
	4,175,260	3,702,502	8,298,222	9,492,791
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	4	8.4 fils	7.5 fils	16.7 fils
		19.1 fils		

The attached notes 1 to 14 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2019

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	4,175,260	3,702,502	8,298,222	9,492,791
Other comprehensive (loss) income:				
<i>Other comprehensive (loss) income that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Exchange differences arising on translation of foreign operations	(525,353)	(833,877)	718,935	382,558
Net other comprehensive (loss) income to be reclassified to interim condensed consolidated statement of income in subsequent periods	(525,353)	(833,877)	718,935	382,558
<i>Other comprehensive income not to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Changes in the fair value of equity instruments at fair value through other comprehensive income	-	-	9,820	-
Net other comprehensive income not to be reclassified to interim condensed consolidated statement of income in subsequent periods	-	-	9,820	-
Other comprehensive (loss) income	(525,353)	(833,877)	728,755	382,558
Total comprehensive income for the period	3,649,907	2,868,625	9,026,977	9,875,349
Attributable to:				
Equity holders of the Parent Company	3,622,106	3,268,923	8,977,003	10,155,410
Non-controlling interests	27,801	(400,298)	49,974	(280,061)
	3,649,907	2,868,625	9,026,977	9,875,349

The attached notes 1 to 14 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

		30 June 2019 KD	(Audited) 31 December 2018 KD	30 June 2018 KD
ASSETS				
Cash and cash equivalents	5	9,288,069	7,814,245	6,992,728
Fixed deposits		2,681,055	2,300,000	2,400,000
Inventories		268,035	258,040	286,110
Accounts receivable and other assets		12,533,578	13,998,693	13,552,328
Financial assets at fair value through other comprehensive income	6	5,081,111	5,071,292	5,864,955
Interest in a joint venture		9,454,521	8,352,038	7,658,602
Right-of-use assets		381,512	-	-
Investment properties	7	236,390,439	211,560,563	197,405,880
Property and equipment		70,854,175	72,065,411	73,272,151
TOTAL ASSETS		346,932,495	321,420,282	307,432,754
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institutions	5	240,570	435,317	1,862,394
Lease Liability		280,063	-	-
Accounts payable and other liabilities		26,881,491	26,431,698	22,169,378
Commercial financing	8	33,424,472	28,179,918	30,050,019
Islamic financing	8	135,358,369	113,989,034	105,533,772
TOTAL LIABILITIES		196,184,965	169,035,967	159,615,563
EQUITY				
Share capital	9	51,272,341	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	10	(6,192,084)	(5,168,680)	(4,729,545)
Treasury shares reserve	10	2,470,481	2,240,412	2,150,088
Statutory reserve		30,280,511	30,280,511	28,458,964
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		24,672,847	26,295,026	20,212,822
Fair value reserve		(162,201)	(172,021)	621,643
Foreign currency translation reserve		(9,789,479)	(10,593,567)	(8,245,660)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		148,096,869	149,698,475	145,285,106
Non-controlling interests		2,650,661	2,685,840	2,532,085
TOTAL EQUITY		150,747,530	152,384,315	147,817,191
TOTAL LIABILITIES AND EQUITY		346,932,495	321,420,282	307,432,754



Ghazi Fahad Alnafisi
Chairman

The attached notes 1 to 14 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2019

Equity attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Subtotal KD	Non-controlling interests KD	Total equity KD
Balance as at 1 January 2019 (Audited)	51,272,341	35,055,163	(5,168,680)	2,240,412	30,280,511	20,489,290	26,295,026	(172,021)	(10,593,567)	149,698,475	2,685,840	152,384,315
Profit for the period	-	-	-	-	-	-	8,248,248	-	-	8,248,248	49,974	8,298,222
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	9,820	804,088	813,908	(85,153)	728,755
Total comprehensive income (loss) for the period	-	-	-	-	-	-	8,248,248	9,820	804,088	9,062,156	(35,179)	9,026,977
Dividends (Note 9)	-	-	-	-	-	-	(9,870,427)	-	-	(9,870,427)	-	(9,870,427)
Purchase of treasury shares	-	-	(2,087,351)	-	-	-	-	-	-	(2,087,351)	-	(2,087,351)
Sale of treasury shares	-	-	1,063,947	230,069	-	-	-	-	-	1,294,016	-	1,294,016
Balance as at 30 June 2019	51,272,341	35,055,163	(6,192,084)	2,470,481	30,280,511	20,489,290	24,672,847	(162,201)	(9,789,479)	148,096,869	2,650,661	150,747,530
Balance as at 1 January 2018 (Audited)	51,272,341	35,055,163	(5,315,245)	1,817,810	28,458,964	20,489,290	20,685,962	123,309	(8,992,619)	143,594,975	2,812,146	146,407,121
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	498,334	-	498,334	-	498,334
Balance as at 1 January 2018 (Restated)	51,272,341	35,055,163	(5,315,245)	1,817,810	28,458,964	20,489,290	20,685,962	621,643	(8,992,619)	144,093,309	2,812,146	146,905,455
Profit for the period	-	-	-	-	-	-	9,408,451	-	-	9,408,451	84,340	9,492,791
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	746,959	746,959	(364,401)	382,558
Total comprehensive income (loss) for the period	-	-	-	-	-	-	9,408,451	-	746,959	10,155,410	(280,061)	9,875,349
Dividends (Note 9)	-	-	-	-	-	-	(9,881,591)	-	-	(9,881,591)	-	(9,881,591)
Purchase of treasury shares	-	-	(373,830)	-	-	-	-	-	-	(373,830)	-	(373,830)
Sale of treasury shares	-	-	959,530	332,278	-	-	-	-	-	1,291,808	-	1,291,808
Balance as at 30 June 2018	51,272,341	35,055,163	(4,729,545)	2,150,088	28,458,964	20,489,290	20,212,822	621,643	(8,245,660)	145,285,106	2,532,085	147,817,191

The attached notes 1 to 14 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		8,686,883	9,936,122
Adjustments to reconcile profit for the period before provision for contribution to KFAS, NLST and Zakat for the period to net cash flows:			
Share in joint venture's results, net of tax		(881,237)	(3,215,711)
Provision for employees' end of service benefits		399,984	742,563
Depreciation		2,799,283	2,703,939
Investment income		(476,945)	-
Foreign exchange loss gain		26,406	27,822
Interest income		(7,939)	(9,382)
Gain on sale of property		-	(254,070)
Finance costs		711,466	364,483
		<u>11,257,901</u>	<u>10,295,766</u>
Change in operating assets and liabilities:			
Inventories		(9,995)	683
Accounts receivable and other assets		8,533,180	(255,971)
Accounts payable and other liabilities		1,031,662	1,412,603
		<u>20,812,748</u>	<u>11,453,081</u>
Cash from operations		20,812,748	11,453,081
Employees' end of service benefits paid		(1,204)	(116,112)
KFAS paid		(163,939)	(149,859)
NLST paid		(455,387)	(416,274)
Zakat paid		(163,939)	(149,859)
		<u>20,028,279</u>	<u>10,620,977</u>
Net cash flows from operating activities		20,028,279	10,620,977
INVESTING ACTIVITIES			
Advances and prepayments to contractors		(7,068,065)	-
Additions to investment properties	7	(25,810,235)	(11,541,713)
Additions to property and equipment		(768,624)	(1,745,871)
Proceeds from sale of property and equipment		5,400	2,521,871
Investment income received		476,945	-
Dividends received from joint venture		-	2,030,000
Interest income received		7,939	9,382
Fixed deposits		(381,055)	233,206
		<u>(33,537,695)</u>	<u>(8,493,125)</u>
Net cash flows used in investing activities		(33,537,695)	(8,493,125)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings obtained	8	29,157,282	10,310,336
Repayment of commercial and Islamic financings	8	(2,403,906)	(2,875,293)
Finance costs paid		(705,891)	(364,483)
Dividends paid		(9,870,427)	(9,881,591)
Payment of lease liability		(205,736)	-
Purchase of treasury shares		(2,087,351)	(373,830)
Sale of treasury shares		1,294,016	1,291,808
		<u>15,177,987</u>	<u>(1,893,053)</u>
Net cash flows from (used in) financing activities		15,177,987	(1,893,053)
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,668,571</u>	<u>234,799</u>
Cash and cash equivalents at 1 January 2019		7,378,928	4,895,535
CASH AND CASH EQUIVALENTS AT 30 June 2019	5	<u>9,047,499</u>	<u>5,130,334</u>

The attached notes 1 to 14 form an integral part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the six months period ended 30 June 2019 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 7 August 2019.

On 11 March 2019, the ordinary general assembly of the shareholders of the Parent Company approved the consolidated financial statements of the Group for the year ended 31 December 2018 and approved the Board of Director's proposal for distributing dividends to the shareholders.

The Group comprises Salhia Real Estate Company K.S.C.P. and its subsidiaries.

The Parent Company is a Public Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. Its 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.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), 'Interim Financial Reporting'. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the changes described below arising from the adoption of IFRS 16 'Leases' effective from 1 January 2019.

The Group has not early adopted any other standard, interpretation or amendment that has been issued or not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. Furthermore, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2018.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

3 CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 16 'Leases'

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Adoption of IFRS 16 'Leases' (continued)

Impact on adoption of IFRS 16

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>KD</i>
ASSETS	
Right-of-use assets	480,224
Total assets	<u>480,224</u>
LIABILITIES	
Lease liability	480,224
Total liabilities	<u>480,224</u>

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-of-use assets KD</i>	<i>Lease liabilities KD</i>
As at 1 January 2019	480,224	480,224
Depreciation expense	(98,712)	-
Finance costs	-	5,574
Payments	-	(205,735)
As at 30 June 2019	<u>381,512</u>	<u>280,063</u>

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 4% at the reporting date.

Set out below, are the amounts recognised in profit or loss:

	<i>Six months ended 30 June 2019 KD</i>
Depreciation expense on right-of-use assets	98,712
Finance costs on lease liabilities	5,574
Total amounts recognised in profit or loss	<u>104,286</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic:

Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

Diluted:

Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the period attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 30 June 2019.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>4,147,459</u>	<u>3,669,021</u>	<u>8,248,248</u>	<u>9,408,451</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>491,643,053</u>	<u>491,840,974</u>	<u>492,748,424</u>	<u>493,282,879</u>
Basic and diluted earnings per share	<u>8.4 fils</u>	<u>7.5 fils</u>	<u>16.7 fils</u>	<u>19.1 fils</u>

5 CASH AND CASH EQUIVALENTS

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2019</i>	<i>31 December</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash and cash equivalents	16,798	2,423,812	15,812
Bank balances	9,271,271	5,390,433	6,976,916
Less: Due to banks and financial institutions	<u>(240,570)</u>	<u>(435,317)</u>	<u>(1,862,394)</u>
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u>9,047,499</u>	<u>7,378,928</u>	<u>5,130,334</u>

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2019</i>	<i>31 December</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Managed quoted portfolios	92,336	83,000	112,750
Managed unquoted portfolio	269,623	269,140	266,328
Unquoted equity securities	<u>4,719,152</u>	<u>4,719,152</u>	<u>5,485,877</u>
	<u>5,081,111</u>	<u>5,071,292</u>	<u>5,864,955</u>

The fair values of financial instruments are presented in (Note 11).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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7 INVESTMENT PROPERTIES

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
As at 1 January	211,560,563	187,062,981	187,062,981
Additions	25,810,235	26,975,084	11,541,713
Depreciation	(957,905)	(1,900,780)	(962,013)
Foreign currency translation adjustment	(22,454)	(576,722)	(236,801)
	<u>236,390,439</u>	<u>211,560,563</u>	<u>197,405,880</u>

Investment properties with a carrying value of KD 155,792 (31 December 2018: KD 155,792 and 30 June 2018: KD 155,792) 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.

8 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
At 1 January	142,168,952	128,828,212	128,828,211
Loans received	29,157,282	27,752,182	10,310,336
Loans repaid	(2,403,906)	(13,351,881)	(2,875,293)
Foreign currency translation adjustment	(139,487)	(1,059,561)	(679,463)
	<u>168,782,841</u>	<u>142,168,952</u>	<u>135,583,791</u>
	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Commercial financing	33,424,472	28,179,918	30,050,019
Islamic financing	135,358,369	113,989,034	105,533,772
	<u>168,782,841</u>	<u>142,168,952</u>	<u>135,583,791</u>

Commercial financing are repayable in periodic installments over variable periods with maturities extending to December 2040.

Commercial financing denominated in Euro, carries variable interest rates which range from 1.5% to 2% per annum (31 December 2018: 1.5% to 2% per annum and 30 June 2018: 0.75% to 2% per annum) over EURIBOR.

The average profit rate attributable to Islamic financing during the years which range from 1% to 1.5% per annum (31 December 2018: 1% to 1.5% per annum and 30 June 2018: 1% to 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 135,358,369 (31 December 2018: KD 103,101,718 and 30 June 2018: KD 91,152,092) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 60,500,000 (31 December 2018: KD 47,750,000 and 30 June 2018: KD 46,750,000) is secured by an investment property with a carrying value of KD 71,794,141 (31 December 2018: KD 71,794,141 and 30 June 2018: KD 71,794,141). Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default.

A subsidiary's accumulated finance cost have been capitalised and included within investment properties.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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9 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 11 March 2019, the shareholders approved the distribution of cash dividends of 20 fils per share (2017: 20 fils per share) amounting to KD 9,870,427 for the year ended 31 December 2018 (2017: KD 9,881,591) to the registered shareholders as of the record date which is 3 April 2019, which is paid during the reporting period.

As at 30 June 2019, the authorized, issued and paid up capital comprises of 512,723,413 shares (31 December 2018: 512,723,413 shares and 30 June 2018: 512,723,413 shares) at 100 fils (31 December 2018: 100 fils and 30 June 2018: 100 fils) per share each and are fully paid in cash.

10 TREASURY SHARES

At 30 June 2019, the Parent Company held 22,051,957 of its own shares (31 December 2018: 19,630,322 and 30 June 2018: 18,567,708), equivalent to 4.30% (31 December 2018: 3.83% and 30 June 2018: 3.62%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 7,387,406 (31 December 2018: KD 6,458,376 and 30 June 2018: KD 6,550,182). Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. For financial instruments where there is no active market, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) 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; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

30 June 2019	<i>Level 1</i>	<i>Level 3</i>	<i>Total</i>
<i>Assets measured at fair value</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	92,336	-	92,336
Managed unquoted portfolio	-	269,623	269,623
Unquoted equity securities	-	4,719,152	4,719,152
	<u>92,336</u>	<u>4,988,775</u>	<u>5,081,111</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 December 2018 (Audited)			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	83,000	-	83,000
Managed unquoted portfolio	-	269,140	269,140
Unquoted equity securities	-	4,719,152	4,719,152
	<u>83,000</u>	<u>4,988,292</u>	<u>5,071,292</u>
30 June 2018			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	112,750	-	112,750
Managed unquoted portfolio	-	266,328	266,328
Unquoted equity securities	-	5,485,877	5,485,877
	<u>112,750</u>	<u>5,752,205</u>	<u>5,864,955</u>

The following table shows a reconciliation of the opening and closing amount of level 3 financial instruments which are recorded at fair value.

	<i>As at</i> <i>1 January</i> <i>2019</i> <i>KD</i>	<i>Foreign</i> <i>currency</i> <i>translation</i> <i>adjustment</i> <i>KD</i>	<i>As at</i> <i>30 June</i> <i>2019</i> <i>KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	4,988,292	483	4,988,775

During the period ended 30 June 2019, 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.

Fair value of other financial instruments is not materially different from their carrying values at the reporting date.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

12 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss as explained in the table below.

The Group has the following reportable segments:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

12 SEGMENTAL INFORMATION (continued)

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

	Six months ended 30 June 2019			Six months ended 30 June 2018				
	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Segment revenue	9,771,461	5,458,698	7,985,855	23,216,014	9,514,357	5,902,995	8,120,796	23,538,148
Segment operating costs	(1,514,581)	(2,167,141)	(5,876,698)	(9,558,420)	(2,370,402)	(2,126,464)	(5,902,209)	(10,399,075)
Segment gross profit	8,256,880	3,291,557	2,109,157	13,657,594	7,143,955	3,776,531	2,218,587	13,139,073
Share in joint venture's results, net of tax	881,237	-	-	881,237	3,215,711	-	-	3,215,711
Depreciation	(1,561,320)	(746,244)	(511,236)	(2,818,800)	(1,450,316)	(701,394)	(533,626)	(2,685,336)
Other operating expenses	(1,208,938)	(934,656)	(695,846)	(2,839,440)	(1,982,262)	(992,802)	(667,084)	(3,642,148)
Finance costs	(375,309)	(47,766)	(282,816)	(705,891)	(6,039)	(41,600)	(316,844)	(364,483)
Taxation on overseas subsidiaries	-	-	(97,006)	(97,006)	-	-	(106,593)	(106,593)
Segment results	5,992,550	1,562,891	522,253	8,077,694	6,921,049	2,040,735	594,440	9,556,224
Interest income	-	-	7,939	7,939	-	-	-	9,382
Investment income	-	-	476,945	476,945	-	-	-	78,428
Gain from sale of property	-	-	-	-	-	-	-	254,070
Other non-operating income, (net)	-	-	124,305	124,305	-	-	-	38,018
KFAS, NLST and Zakat	-	-	(388,661)	(388,661)	-	-	-	(443,331)
Profit for the period	8,298,222	-	8,298,222	8,298,222	6,921,049	2,040,735	594,440	9,492,791

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

12 SEGMENTAL INFORMATION (continued)

The following table presents allocation of total assets, liabilities and capital expenditures regarding the Group's operating segments:

	30 June 2019			31 December 2018 (Audited)			30 June 2018		
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD
Total assets	305,597,851	4,838,180	36,496,464	274,772,598	8,879,800	37,767,884	260,703,531	9,242,998	37,486,225
Segment liabilities	171,631,145	2,873,258	21,680,562	143,833,436	3,016,194	22,186,337	134,780,654	2,411,272	22,423,637
Capital expenditure	25,984,622	436,431	157,806	27,544,510	1,524,294	514,030	11,982,171	1,013,933	291,466
			346,933,495	321,420,282			307,432,754		
			196,184,965	169,035,967			159,615,563		
			26,578,859	29,582,834			13,287,570		

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13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Letters of guarantee	937,560	937,560	890,670
Construction projects	89,301,557	107,654,499	73,451,455
	<u>90,239,117</u>	<u>108,592,059</u>	<u>74,342,125</u>

14 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, joint venture, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

During the period, there were no transactions with related parties included in the interim condensed consolidated statement of income.

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

	<i>Parent</i> <i>Company</i> <i>KD</i>	<i>Affiliates</i> <i>KD</i>	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Staff receivables*	20,163	26,180	46,343	39,733	44,114
Due from related parties*	-	580,157	580,157	801,380	813,276

* Included in accounts receivable and other assets in the interim condensed consolidated statement of financial position.

Compensation of key management personnel

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

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Short-term benefits	119,915	134,464	288,051	247,852
Employees' end of service benefits	103,087	116,168	215,317	137,033
	<u>223,002</u>	<u>250,632</u>	<u>503,368</u>	<u>384,885</u>