

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

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

30 SEPTEMBER 2019



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C.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 September 2019, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three-month and nine-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 nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting 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 September 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 9,801,618 as at 30 September 2019 (31 December 2018: KD 8,352,038 and 30 September 2018: KD 9,287,982) and the share of the joint venture's results net of tax for the nine months period ended 30 September 2019 included in the interim condensed consolidated statement of income is a profit of KD 1,870,521 (30 September 2018: KD 5,289,429). 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 nine-month period ended 30 September 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

11 November 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 September 2019

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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	10,292,569	10,563,800	33,508,583	34,101,948
Operating costs	(4,634,654)	(4,862,496)	(14,193,074)	(15,261,571)
Gross profit	5,657,915	5,701,304	19,315,509	18,840,377
Share of joint venture's results, net of tax	989,284	2,073,718	1,870,521	5,289,429
General and administrative expenses	(1,482,079)	(955,427)	(4,048,575)	(4,306,799)
Depreciation	(1,493,724)	(1,361,832)	(4,312,524)	(4,047,168)
Sales and marketing expenses	(125,865)	(114,428)	(398,809)	(405,203)
Investment income	320,308	5,966	797,253	84,394
Foreign exchange loss	(22,856)	(4,143)	(49,262)	(31,965)
Interest income	3,705	6,897	11,644	16,279
Other income, net	64,442	15,458	215,153	81,297
Gain on sale of property	-	-	-	254,070
Finance costs	(387,255)	(205,115)	(1,093,146)	(569,598)
Profit before tax	3,523,875	5,162,398	12,307,764	15,205,113
Taxation on overseas subsidiaries	(47,840)	(83,096)	(144,846)	(189,689)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	3,476,035	5,079,302	12,162,918	15,015,424
KFAS	(34,053)	(49,635)	(120,422)	(148,153)
NLST	(85,133)	(124,088)	(301,056)	(370,383)
Zakat	(34,053)	(49,635)	(120,422)	(148,153)
PROFIT FOR THE PERIOD	3,322,796	4,855,944	11,621,018	14,348,735
Attributable to:				
Equity holders of the Parent Company	3,252,091	4,740,187	11,500,339	14,148,638
Non-controlling interests	70,705	115,757	120,679	200,097
	3,322,796	4,855,944	11,621,018	14,348,735
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	4	6.6 fils	9.6 fils	23.4 fils
			28.7 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 September 2019

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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	3,322,796	4,855,944	11,621,018	14,348,735
Other comprehensive loss				
<i>Other comprehensive loss 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	(1,865,729)	(748,085)	(1,146,794)	(365,527)
Net other comprehensive loss to be reclassified to interim condensed consolidated statement of income in subsequent periods	(1,865,729)	(748,085)	(1,146,794)	(365,527)
<i>Other comprehensive (loss) 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	-	(15,525)	9,820	(15,525)
Net other comprehensive (loss) income not to be reclassified to interim condensed consolidated statement of income in subsequent periods	-	(15,525)	9,820	(15,525)
Other comprehensive loss	(1,865,729)	(763,610)	(1,136,974)	(381,052)
Total comprehensive income for the period	1,457,067	4,092,334	10,484,044	13,967,683
Attributable to:				
Equity holders of the Parent Company	1,710,133	3,975,987	10,687,136	14,131,397
Non-controlling interests	(253,065)	116,347	(203,092)	(163,714)
	1,457,067	4,092,334	10,484,044	13,967,683

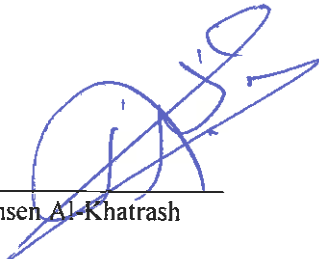
The attached notes 1 to 14 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

		<i>(Audited)</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Cash and cash equivalents	5	7,573,676	7,814,245
Fixed deposits		2,578,188	2,300,000
Inventories		275,458	258,040
Accounts receivable and other assets		11,644,027	13,998,693
Financial assets at fair value through other comprehensive income	6	5,081,111	5,071,292
Interest in a joint venture		9,801,618	8,352,038
Right-of-use assets		345,563	-
Investment properties	7	248,385,505	211,560,563
Property and equipment		69,066,918	72,065,411
TOTAL ASSETS		354,752,064	321,420,282
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutions	5	2,625,007	435,317
Lease Liability		301,038	-
Accounts payable and other liabilities		28,985,617	26,431,698
Commercial financing	8	28,457,714	28,179,918
Islamic financing	8	141,829,534	113,989,034
TOTAL LIABILITIES		202,198,910	169,035,967
EQUITY			
Share capital	9	51,272,341	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	10	(5,911,419)	(5,168,680)
Treasury shares reserve	10	2,538,373	2,240,412
Statutory reserve		30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290
Retained earnings		27,924,938	26,295,026
Fair value reserve		(162,201)	(172,021)
Foreign currency translation reserve		(11,537,269)	(10,593,567)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		149,949,727	149,698,475
Non-controlling interests		2,603,427	2,685,840
TOTAL EQUITY		152,553,154	152,384,315
TOTAL LIABILITIES AND EQUITY		354,752,064	321,420,282


Faisal Abdul Mohsen Al-Khatrash
Vice 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 September 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 (<i>Audited</i>)	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	-	-	-	-	-	-	11,500,339	-	-	11,500,339	120,679	11,621,018
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	9,820	(943,702)	(933,882)	(203,092)	(1,136,974)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	11,500,339	9,820	(943,702)	10,566,457	(82,413)	10,484,044
Dividends (Note 9)	-	-	-	-	-	-	(9,870,427)	-	-	(9,870,427)	-	(9,870,427)
Purchase of treasury shares	-	-	(2,191,949)	-	-	-	-	-	-	(2,191,949)	-	(2,191,949)
Sale of treasury shares	-	-	1,449,210	297,961	-	-	-	-	-	1,747,171	-	1,747,171
Balance as at 30 September 2019	51,272,341	35,055,163	(5,911,419)	2,538,373	30,280,511	20,489,290	27,924,938	(162,201)	(11,537,269)	149,949,727	2,603,427	152,553,154
Balance as at 1 January 2018 (<i>Audited</i>)	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	-	-	-	-	-	-	14,148,638	-	-	14,148,638	200,097	14,348,735
Other comprehensive loss for the period	-	-	-	-	-	-	-	(15,525)	(1,716)	(17,241)	(363,811)	(381,052)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	14,148,638	(15,525)	(1,716)	14,131,397	(163,714)	13,967,683
Dividends (Note 9)	-	-	-	-	-	-	(9,881,591)	-	-	(9,881,591)	-	(9,881,591)
Purchase of treasury shares	-	-	(633,812)	-	-	-	-	-	-	(633,812)	-	(633,812)
Sale of treasury shares	-	-	1,215,167	406,437	-	-	-	-	-	1,621,604	-	1,621,604
Balance as at 30 September 2018	51,272,341	35,055,163	(4,733,890)	2,224,247	28,458,964	20,489,290	24,953,009	606,118	(8,994,335)	149,330,907	2,648,432	151,979,339

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 September 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		12,162,918	15,015,424
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		(1,870,521)	(5,289,429)
Provision for employees' end of service benefits		493,840	637,989
Depreciation		4,312,524	4,047,168
Investment income		(797,253)	(84,394)
Foreign exchange loss		49,262	31,965
Interest income		(11,644)	(16,279)
Gain on sale of property		-	(254,070)
Finance costs		1,101,594	569,598
		<u>15,440,720</u>	<u>14,657,972</u>
Change in operating assets and liabilities:			
Inventories		(17,418)	(33,164)
Accounts receivable and other assets		8,781,588	6,990,853
Accounts payable and other liabilities		2,133,389	2,431,583
		<u>26,338,279</u>	<u>24,047,244</u>
Cash from operations		26,338,279	24,047,244
Employees' end of service benefits paid		(6,098)	(138,575)
KFAS paid		(163,939)	(149,859)
NLST paid		(455,387)	(416,274)
Zakat paid		(163,939)	(149,859)
		<u>25,548,916</u>	<u>23,192,677</u>
Net cash flows from operating activities		25,548,916	23,192,677
INVESTING ACTIVITIES			
Advances and prepayments to contractors		(6,426,922)	(7,217,091)
Additions to investment properties	7	(38,525,327)	(17,823,084)
Additions to property and equipment		(1,048,250)	(2,038,327)
Proceeds from sale of property and equipment		17,486	2,523,252
Investment income received		797,253	84,394
Dividends received from joint venture		-	2,030,000
Interest income received		11,644	16,279
Fixed deposits		(278,188)	233,206
		<u>(45,452,304)</u>	<u>(22,191,371)</u>
Net cash flows used in investing activities		(45,452,304)	(22,191,371)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings obtained	8	33,663,279	13,321,934
Repayment of commercial and Islamic financings	8	(4,580,049)	(7,861,425)
Finance costs paid		(1,093,146)	(569,598)
Dividends paid		(9,870,427)	(9,881,591)
Payment of lease liability		(201,750)	-
Purchase of treasury shares		(2,191,949)	(633,812)
Sale of treasury shares		1,747,171	1,621,604
		<u>17,473,129</u>	<u>(4,002,888)</u>
Net cash flows from (used in) financing activities		17,473,129	(4,002,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,430,259)	(3,001,582)
Cash and cash equivalents at 1 January 2019		7,378,928	4,895,535
CASH AND CASH EQUIVALENTS AT 30 September 2019	5	4,948,669	1,893,953

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 nine months period ended 30 September 2019 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 11 November 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 nine months period ended 30 September 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 September 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
Additions	14,116	14,116
Depreciation expense	(148,777)	-
Finance costs	-	8,448
Payments	-	(201,750)
As at 30 September 2019	<u>345,563</u>	<u>301,038</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>Nine months ended 30 September 2019 KD</i>
Depreciation expense on right-of-use assets	148,777
Finance costs on lease liabilities	8,448
Total amounts recognised in profit or loss	<u>157,225</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 September 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 September 2019.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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>3,252,091</u>	<u>4,740,187</u>	<u>11,500,339</u>	<u>14,148,638</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>493,572,101</u>	<u>491,882,688</u>	<u>492,206,177</u>	<u>493,716,262</u>
Basic and diluted earnings per share	<u>6.6 fils</u>	<u>9.6 fils</u>	<u>23.4 fils</u>	<u>28.7 fils</u>

5 CASH AND CASH EQUIVALENTS

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2019</i>	<i>31 December</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash and cash equivalents	17,356	2,423,812	43,314
Bank balances	7,556,320	5,390,433	7,038,563
Less: Due to banks and financial institutions	<u>(2,625,007)</u>	<u>(435,317)</u>	<u>(5,187,924)</u>
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u>4,948,669</u>	<u>7,378,928</u>	<u>1,893,953</u>

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</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	94,413
Managed unquoted portfolio	269,623	269,140	269,140
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>5,849,430</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 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
As at 1 January	211,560,563	187,062,981	187,062,981
Additions	38,525,327	26,975,084	17,823,084
Depreciation	(1,396,085)	(1,900,780)	(1,443,021)
Foreign currency translation adjustment	(304,300)	(576,722)	(348,416)
	<u>248,385,505</u>	<u>211,560,563</u>	<u>203,094,628</u>
Developed properties	129,140,189	130,748,670	131,379,980
Properties under development	119,245,316	80,811,893	71,714,648
	<u>248,385,505</u>	<u>211,560,563</u>	<u>203,094,628</u>

Investment properties with a carrying value of KD 155,792 (31 December 2018: KD 155,792 and 30 September 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 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
At 1 January	142,168,952	128,828,212	128,828,211
Loans received	33,663,279	27,752,182	13,321,934
Loans repaid	(4,580,049)	(13,351,881)	(7,861,425)
Foreign currency translation adjustment	(964,934)	(1,059,561)	(642,139)
	<u>170,287,248</u>	<u>142,168,952</u>	<u>133,646,581</u>
	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Commercial financing	28,457,714	28,179,918	31,957,057
Islamic financing	141,829,534	113,989,034	101,689,524
	<u>170,287,248</u>	<u>142,168,952</u>	<u>133,646,581</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 September 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 1.25% per annum (31 December 2018: 1% to 1.5% per annum and 30 September 2018: 1% to 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 141,829,534 (31 December 2018: KD 113,989,034 and 30 September 2018: KD 101,689,524) 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 September 2018: KD 46,750,000) is secured by an investment property with a carrying value of KD 71,791,141 (31 December 2018: KD 71,794,141 and 30 September 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.

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

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

10 TREASURY SHARES

At 30 September 2019, the Parent Company held 20,998,631 of its own shares (31 December 2018: 19,630,322 and 30 September 2018: 18,355,422), equivalent to 4.10% (31 December 2018: 3.83% and 30 September 2018: 3.58%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 6,950,547 (31 December 2018: KD 6,458,376 and 30 September 2018: KD 6,020,578). 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 September 2019	Level 1	Level 3	Total
Assets measured at fair value	KD	KD	KD
<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>

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 September 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
	83,000	4,988,292	5,071,292
	83,000	4,988,292	5,071,292
30 September 2018			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	94,413	-	94,413
Managed unquoted portfolio	-	269,140	269,140
Unquoted equity securities	-	5,485,877	5,485,877
	94,413	5,755,017	5,849,430
	94,413	5,755,017	5,849,430

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 September</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 September 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.

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

12 SEGMENTAL INFORMATION (continued)

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

	Nine months ended 30 September 2019			Nine months ended 30 September 2018			
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Segment revenue	14,440,019	7,118,624	11,949,940	14,314,975	7,550,278	12,236,695	34,101,948
Segment operating costs	(2,550,356)	(2,932,156)	(8,710,562)	(3,606,283)	(2,893,837)	(8,761,451)	(15,261,571)
Segment gross profit	11,889,663	4,186,468	3,239,378	10,708,692	4,656,441	3,475,244	18,840,377
Share in joint venture's results, net of tax	1,870,521	-	-	5,289,429	-	-	5,289,429
Depreciation	(2,438,696)	(1,125,583)	(748,245)	(2,184,473)	(1,059,890)	(802,805)	(4,047,168)
Other operating expenses	(2,023,341)	(1,354,188)	(1,069,855)	(2,343,749)	(1,383,134)	(985,119)	(4,712,002)
Finance costs	(610,642)	(63,694)	(418,810)	(47,196)	(56,527)	(465,875)	(569,598)
Taxation on overseas subsidiaries	-	-	(144,846)	-	-	(189,689)	(189,689)
Segment results	8,687,505	1,643,003	857,622	11,422,703	2,156,890	1,031,756	14,611,349
Interest income	-	-	-	-	-	-	-
Investment income	-	-	11,644	-	-	-	11,644
Gain from sale of property	-	-	797,253	-	-	-	797,253
Other non-operating income, (net)	-	-	-	-	-	-	-
KFAS, NLIST and Zakat	-	-	165,891	-	-	-	165,891
	-	-	(541,900)	-	-	-	(541,900)
Profit for the period			11,621,018				11,621,018

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

12 SEGMENTAL INFORMATION (continued)

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

	30 September 2019			31 December 2018 (Audited)			30 September 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	315,270,196	4,498,218	34,983,650	274,772,598	8,879,800	37,767,884	267,501,115	9,517,362	37,352,687
Segment liabilities	178,741,624	2,819,601	20,637,685	143,833,436	3,016,194	22,186,337	137,814,310	2,780,730	21,796,785
Capital expenditure	38,731,138	612,509	231,781	27,544,510	1,524,294	514,030	18,284,915	1,218,749	357,749
			354,752,064	321,420,282	169,035,967	29,582,834	314,371,164	162,391,825	19,861,413

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

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As at and for the period ended 30 September 2019

13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Letters of guarantee	937,560	937,560	890,670
Construction projects	77,497,437	107,654,499	72,904,008
	<u>75,434,997</u>	<u>108,592,059</u>	<u>73,794,678</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 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Staff receivables*	18,537	28,298	46,835	39,733	45,228
Due from related parties*	51,088	551,882	602,970	801,380	1,110,699

* 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 September</i>		<i>Nine months ended</i> <i>30 September</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	138,948	102,107	426,999	349,959
Employees' end of service benefits	29,852	35,425	245,169	172,458
	<u>168,800</u>	<u>137,532</u>	<u>672,168</u>	<u>522,417</u>