

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

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

31 MARCH 2020



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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 31 March 2020 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three 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 31 March 2020, 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 10,566,877 as at 31 March 2020 (31 December 2019: KD 10,606,712 and 31 March 2019: KD 8,968,749) and the share of the joint venture's results net of tax for the three months period ended 31 March 2020 included in the interim condensed consolidated statement of profit or loss is a profit of KD 180,937 (31 March 2019: KD 195,996). We were unable to obtain sufficient appropriate 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)

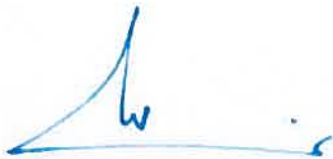
Report on the Interim Condensed Consolidated Financial Information (continued)

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 three-month period ended 31 March 2020 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

13 August 2020
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
<i>Note</i>	2020	2019
	KD	KD
Revenue	9,690,705	11,945,656
Operating costs	(4,796,938)	(4,647,919)
Gross profit	4,893,767	7,297,737
Share of joint venture's results, net of tax	180,937	195,996
General and administrative expenses	(1,324,686)	(1,395,803)
Depreciation	(1,397,507)	(1,353,715)
Sales and marketing expenses	(124,683)	(146,061)
Investment income	309,454	11,136
Foreign exchange loss	(8,072)	(7,275)
Interest income	42,670	4,453
Other income, net	57,280	58,157
Finance costs	(253,628)	(304,157)
Profit before tax	2,375,532	4,360,468
Taxation on overseas subsidiaries	(34,358)	(44,275)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	2,341,174	4,316,193
KFAS	(23,681)	(42,940)
NLST	(59,204)	(107,351)
Zakat	(23,682)	(42,940)
PROFIT FOR THE PERIOD	2,234,607	4,122,962
Attributable to:		
Equity holders of the Parent Company	2,261,581	4,100,789
Non-controlling interests	(26,974)	22,173
	2,234,607	4,122,962
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	3
	4.6 fils	8.3 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 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	2,234,607	4,122,962
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	(775,563)	1,244,288
Net other comprehensive (loss) income to be reclassified to interim condensed consolidated statement of income in subsequent periods	(775,563)	1,244,288
<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	(775,563)	1,254,108
Total comprehensive income for the period	1,459,044	5,377,070
Attributable to:		
Equity holders of the Parent Company	1,486,018	5,354,897
Non-controlling interests	(26,974)	22,173
	1,459,044	5,377,070

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 31 March 2020

		31 March 2020 KD	(Audited) 31 December 2019 KD	31 March 2019 KD
ASSETS				
Cash and cash equivalents	4	5,903,020	6,617,854	10,784,208
Fixed deposits		10,646,971	6,744,193	2,670,520
Inventories		295,667	285,816	260,508
Accounts receivable and other assets		12,729,156	12,124,081	13,057,602
Financial assets at fair value through other comprehensive income	5	5,937,553	5,937,553	5,081,111
Interest in a joint venture		10,566,877	10,606,712	8,968,749
Right-of-use assets		816,626	917,783	480,224
Investment properties	6	271,767,839	259,963,689	226,548,657
Property and equipment		65,130,233	65,811,421	70,918,277
TOTAL ASSETS		383,793,942	369,009,102	338,769,856
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		7,174,694	-	1,652,147
Lease liability		3,012,505	3,237,095	480,224
Accounts payable and other liabilities		32,646,672	31,216,063	27,017,991
Commercial financing	7	31,979,669	29,927,962	29,131,231
Islamic financing	7	141,266,888	138,657,358	122,461,135
TOTAL LIABILITIES		216,080,428	203,038,478	180,742,728
EQUITY				
Share capital	8	51,272,341	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	9	(5,182,350)	(5,194,386)	(5,002,045)
Treasury shares reserve	9	3,144,512	2,872,702	2,339,520
Statutory reserve		30,280,511	30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		40,200,778	37,939,197	30,395,815
Fair value reserve		694,240	694,240	(162,201)
Foreign currency translation reserve		(10,912,619)	(10,107,119)	(9,219,296)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		165,041,866	163,301,939	155,449,098
Non-controlling interests		2,671,648	2,668,685	2,578,030
TOTAL EQUITY		167,713,514	165,970,624	158,027,128
TOTAL LIABILITIES AND EQUITY		383,793,942	369,009,102	338,769,856

Ghazi Fahad Alnafisi
Chairman

Faisal Abdulmohsen 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 31 March 2020

	<i>Equity attributable to equity holders of the Parent Company</i>											
	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 2020 <i>(Audited)</i>	51,272,341	35,055,163	(5,194,386)	2,872,702	30,280,511	20,489,290	37,939,197	694,240	(10,107,119)	163,301,939	2,668,685	165,970,624
Profit (loss) for the period	-	-	-	-	-	-	2,261,581	-	-	2,261,581	(26,974)	2,234,607
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(805,500)	(805,500)	29,937	(775,563)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,261,581	-	(805,500)	1,456,081	2,963	1,459,044
Purchase of treasury shares	-	-	(563,861)	-	-	-	-	-	-	(563,861)	-	(563,861)
Sale of treasury shares	-	-	575,897	271,810	-	-	-	-	-	847,707	-	847,707
Balance as at 31 March 2020	51,272,341	35,055,163	(5,182,350)	3,144,512	30,280,511	20,489,290	40,200,778	694,240	(10,912,619)	165,041,866	2,671,648	167,713,514
Balance as at 1 January 2019	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	-	-	-	-	-	4,100,789	4,100,789	-	-	4,100,789	22,173	4,122,962
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	9,820	1,374,271	1,384,091	(129,983)	1,254,108
Total comprehensive income (loss) for the period	-	-	-	-	-	-	4,100,789	9,820	1,374,271	5,484,880	(107,810)	5,377,070
Purchase of treasury shares	-	-	(245,304)	-	-	-	-	-	-	(245,304)	-	(245,304)
Sale of treasury shares	-	-	411,939	99,108	-	-	-	-	-	511,047	-	511,047
Balance as at 31 March 2019	51,272,341	35,055,163	(5,002,045)	2,339,520	30,280,511	20,489,290	30,395,815	(162,201)	(9,219,296)	155,449,098	2,578,030	158,027,128

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 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		2,341,174	4,316,193
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		(180,937)	(195,996)
Provision for employees' end of service benefits		192,161	322,886
Depreciation		1,397,507	1,334,200
Investment income		(309,454)	(11,136)
Foreign exchange loss		8,072	7,275
Interest income		(42,670)	(4,453)
Finance costs		253,628	304,157
		<u>3,659,481</u>	<u>6,073,126</u>
Change in operating assets and liabilities:			
Inventories		(9,851)	(2,468)
Accounts receivable and other assets		(605,075)	941,091
Accounts payable and other liabilities		1,184,195	1,200,619
		<u>4,228,750</u>	<u>8,212,368</u>
Cash from operations			
Employees' end of service benefits paid		-	(26,460)
KFAS paid		(226,540)	(163,939)
Directors' remuneration paid		(120,000)	(120,000)
		<u>3,882,210</u>	<u>7,901,969</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Advances and prepayments to contractors			
Additions to investment properties	6	(12,593,480)	(15,126,925)
Additions to property and equipment		(298,144)	(227,762)
Investment income received		309,454	11,136
Interest income received		42,670	4,453
Fixed deposits		(3,902,778)	(370,520)
		<u>(16,442,278)</u>	<u>(15,709,618)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings obtained	7	5,192,371	9,700,000
Repayment of commercial and Islamic financings	7	(327,459)	(100,804)
Movement in due to banks and financial institutions		7,174,694	1,652,147
Finance costs paid		(253,628)	(304,157)
Payment of lease liability		(224,590)	-
Purchase of treasury shares		(563,861)	(245,304)
Sale of treasury shares		847,707	511,047
		<u>11,845,234</u>	<u>11,212,929</u>
Net cash flows from (used in) financing activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS		(714,834)	3,405,280
Cash and cash equivalents at 1 January 2020		6,617,854	7,378,928
CASH AND CASH EQUIVALENTS AT 31 March 2020	4	5,903,020	10,784,208

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 31 March 2020

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 three months period ended 31 March 2020 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on Thursday 13 August 2020.

On 11 March 2020, 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 2019 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 PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

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 2019. Furthermore, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2019.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Impact of COVID-19

The World Health Organization declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of the available guidance of IFRS, and incorporated the outcome in these interim condensed consolidated financial information and explained the changes below related to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 31 March 2020:

Critical judgements and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these interim condensed consolidated financial information, significant judgement is exercised by management in applying the Group's accounting policies. The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group as at and for the year ended 31 December 2019, with the exception of the impact of the COVID - 19 outbreak on the Group which is detailed below:

(i) Expected credit loss on financial assets measured at amortized cost

The Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 March 2020. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. These are reviewed and monitored for appropriateness on a quarterly basis. Further information on the Group's policy on expected credit losses is disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2019.

(ii) Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements is disclosed in the annual consolidated financial statements as at and for the year ended 31 December 2019.

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 31 March 2020

Impact of COVID-19 (continued)

Critical judgements and estimates (continued)

(iii) *Investment properties, property and equipment and interest in joint venture ("non-financial assets")*

As at the reporting date, the Group has not identified any significant impact on the carrying values of its non-financial assets as at 31 March 2020 due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2019. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the interim condensed consolidated financial information.

3 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 31 March 2020.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2020</u>	<u>2019</u>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>2,261,581</u>	<u>4,100,789</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>495,547,254</u>	<u>493,056,131</u>
Basic and diluted earnings per share	<u><u>4.6 fils</u></u>	<u><u>8.3 fils</u></u>

4 CASH AND CASH EQUIVALENTS

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash and cash equivalents	<u>37,483</u>	<u>120,284</u>	<u>20,732</u>
Bank balances	<u>5,865,537</u>	<u>6,497,570</u>	<u>10,763,476</u>
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u><u>5,903,020</u></u>	<u><u>6,617,854</u></u>	<u><u>10,784,208</u></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 31 March 2020

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Managed quoted portfolios	112,050	112,050	92,336
Managed unquoted portfolio	271,249	271,249	269,623
Unquoted equity securities	5,554,254	5,554,254	4,719,152
	<u>5,937,553</u>	<u>5,937,553</u>	<u>5,081,111</u>

The fair values of financial instruments are presented in (Note 10).

6 INVESTMENT PROPERTIES

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
As at 1 January	259,963,689	211,560,563	211,560,563
Additions	12,593,480	50,388,487	15,126,925
Depreciation	(299,219)	(1,874,993)	(479,624)
Foreign currency translation adjustment	(490,111)	296,804	340,793
Impairment loss	-	(407,172)	-
	<u>271,767,839</u>	<u>259,963,689</u>	<u>226,548,657</u>

Investment properties with a carrying value of KD 155,792 (31 December 2019: KD 155,792 and 31 March 2019: 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.

7 COMMERCIAL AND ISLAMIC FINANCING

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
At 1 January	168,585,320	142,168,952	142,168,952
Loans received	5,192,371	46,211,603	9,700,000
Loans repaid	(327,459)	(19,558,269)	(100,804)
Foreign currency translation adjustment	(203,675)	(236,966)	(175,782)
	<u>173,246,557</u>	<u>168,585,320</u>	<u>151,592,366</u>
	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Commercial financing	31,979,669	29,927,962	29,131,231
Islamic financing	141,266,888	138,657,358	122,461,135
	<u>173,246,557</u>	<u>168,585,320</u>	<u>151,592,366</u>

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

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7 COMMERCIAL AND ISLAMIC FINANCING (continued)

Commercial financing denominated in Euro, carries variable interest rates which range from 1.5% to 2% per annum (31 December 2019: 1.5% to 2% per annum and 31 March 2019: 1.5% 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 2019: 1% to 1.5% per annum and 31 March 2019: 1% to 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 141,266,888 (31 December 2019: KD 138,657,358 and 31 March 2019: KD 112,778,987) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 61,000,000 (31 December 2019: KD 61,000,000 and 31 March 2019: KD 49,750,000) is secured by an investment property with a carrying value of KD 71,794,141 (31 December 2019: KD 71,794,141 and 31 March 2019: 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.

8 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 11 March 2020, the shareholders approved the distribution of cash dividends of 25 fils per share (2018: 20 fils per share) amounting to KD 12,382,345 for the year ended 31 December 2019 (2018: KD 9,870,427) to the registered shareholders as of the record date on 3 April 2020, which is paid subsequent to the reporting period.

As at 31 March 2020, the authorized, issued and paid up capital comprises of 512,723,413 shares (31 December 2019: 512,723,413 shares and 31 March 2019: 512,723,413 shares) at 100 fils (31 December 2019: 100 fils and 31 March 2019: 100 fils) per share each and are fully paid in cash.

9 TREASURY SHARES

At 31 March 2020, the Parent Company held 17,726,103 of its own shares (31 December 2019: 18,321,260 and 31 March 2019: 18,825,490), equivalent to 3.46% (31 December 2019: 3.57% and 31 March 2019: 3.67%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 6,585,658 (31 December 2019: KD 7,639,965 and 31 March 2019: KD 6,174,761). Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

10 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:

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

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10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 March 2020	Level 1 KD	Level 3 KD	Total KD
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	112,050	-	112,050
Managed unquoted portfolio	-	271,249	271,249
Unquoted equity securities	-	5,554,254	5,554,254
	<u>112,050</u>	<u>5,825,503</u>	<u>5,937,553</u>
	Level 1 KD	Level 3 KD	Total KD
31 December 2019 (Audited)			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	112,050	-	112,050
Managed unquoted portfolio	-	271,249	271,249
Unquoted equity securities	-	5,554,254	5,554,254
	<u>112,050</u>	<u>5,825,503</u>	<u>5,937,553</u>
	Level 1 KD	Level 3 KD	Total KD
31 March 2019			
<i>Assets measured at fair value</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>

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

	As at 1 January 2020 KD	Foreign currency translation adjustment KD	As at 31 March 2020 KD
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	5,825,503	-	5,825,503

During the period ended 31 March 2020, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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11 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 31 March 2020

11 SEGMENTAL INFORMATION (continued)

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

	Three months ended 31 March 2020			Three months ended 31 March 2019			
	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	3,925,404	1,835,282	3,930,019	5,072,645	2,906,961	3,966,050	11,945,656
Segment operating costs	(931,413)	(820,580)	(3,044,945)	(615,336)	(1,129,944)	(2,902,639)	(4,647,919)
Segment gross profit	2,993,991	1,014,702	885,074	4,457,309	1,777,017	1,063,411	7,297,737
Share in joint venture's results, net of tax	180,937	-	-	195,996	-	-	195,996
Depreciation	(751,284)	(389,047)	(257,176)	(732,623)	(367,271)	(253,821)	(1,353,715)
Other operating expenses	(683,821)	(421,463)	(344,085)	(734,968)	(450,126)	(356,770)	(1,541,864)
Finance costs	(104,341)	(17,058)	(132,229)	(134,062)	(27,033)	(143,062)	(304,157)
Taxation on overseas subsidiaries	-	-	(34,358)	-	-	(44,275)	(44,275)
Segment results	1,635,482	187,134	117,226	3,051,652	932,587	265,483	4,249,722
Interest income	-	-	-	-	-	-	4,453
Investment income	-	-	-	-	-	-	11,136
Other non-operating income, (net)	-	-	-	-	-	-	50,882
KFAS, NLST and Zakat	-	-	-	-	-	-	(193,231)
Profit for the period	1,635,482	187,134	117,226	3,051,652	932,587	265,483	4,122,962
			42,670				
			309,454				
			49,208				
			(106,567)				
			2,234,607				

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 31 March 2020

11 SEGMENTAL INFORMATION (continued)

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

	31 March 2020			31 December 2019 (Audited)			31 March 2019		
	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	343,902,765	4,473,061	35,418,116	328,883,173	4,647,902	35,478,027	291,941,845	10,226,626	36,601,385
Segment liabilities	192,496,985	2,855,765	20,727,678	179,763,730	2,670,753	20,603,995	156,070,081	2,979,058	21,693,589
Capital expenditure	12,691,950	138,289	61,385	50,606,524	771,343	332,014	15,182,766	69,822	104,554
			383,793,942			369,009,102			338,769,856
			216,080,428			203,038,478			180,742,728
			12,891,624			51,709,881			15,357,142

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Letters of guarantee	964,625	964,625	937,560
Construction projects	49,769,060	90,000,000	96,337,904
	<u>50,733,685</u>	<u>90,964,625</u>	<u>97,275,464</u>

13 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>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Staff receivables*	10,600	39,970	50,570	53,503	51,128
Due from related parties*	-	818,209	818,209	742,765	758,188

* 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>31 March</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Short-term benefits	183,184	168,136
Employees' end of service benefits	110,624	112,230
	<u>293,808</u>	<u>280,366</u>

14 SUBSEQUENT EVENT

Subsequent to the reporting date, the Parent Company sold 80.41% of one of its major subsidiaries in Germany resulting in a decrease in its effective ownership from 90.89% to 10.48%. The consideration received from the sale of the subsidiary amounted to EUR 81,801,562 (KD 28,398,230).