

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

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

30 JUNE 2020



Ernst & Young
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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 June 2020 and the related interim condensed consolidated statement of profit or loss 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 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 10,362,306 as at 30 June 2020 (31 December 2019: KD 10,606,712 and 30 June 2019: KD 9,454,521) and the share of the joint venture's results net of tax for the six months period ended 30 June 2020 included in the interim condensed consolidated statement of profit or loss is a loss of KD 44,113 (31 March 2019: profit of KD 881,237). 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 six-month period ended 30 June 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 INCOME

(UNAUDITED)

For the period ended 30 June 2020

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
<i>Note</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue	1,612,186	11,270,358	11,302,891	23,216,014
Operating costs	(1,139,320)	(4,910,501)	(5,936,258)	(9,558,420)
Gross profit	472,866	6,359,857	5,366,633	13,657,594
Share of joint venture's results, net of tax	(225,050)	685,241	(44,113)	881,237
General and administrative expenses	(690,019)	(1,170,693)	(2,014,705)	(2,566,496)
Depreciation	(1,241,235)	(1,465,085)	(2,638,742)	(2,818,800)
Sales and marketing expenses	(133,448)	(126,883)	(258,131)	(272,944)
Investment income	14,574	465,809	324,028	476,945
Foreign exchange loss	4,081	(19,131)	(3,991)	(26,406)
Interest income	26,611	3,486	69,281	7,939
Other income, net	(15,002)	92,554	42,278	150,711
Gain from sale of subsidiary	21,880,794	-	21,880,794	-
Impairment of investment properties	(1,100,000)	-	(1,100,000)	-
Finance costs	(89,882)	(401,734)	(343,510)	(705,891)
Profit before tax	18,904,290	4,423,421	21,279,822	8,783,889
Taxation on overseas subsidiaries	(311)	(52,731)	(34,669)	(97,006)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	18,903,979	4,370,690	21,245,153	8,686,883
KFAS	(189,178)	(43,429)	(212,859)	(86,369)
NLST	(472,944)	(108,572)	(532,148)	(215,923)
Zakat	(189,177)	(43,429)	(212,859)	(86,369)
PROFIT FOR THE PERIOD	18,052,680	4,175,260	20,287,287	8,298,222
Attributable to:				
Equity holders of the Parent Company	18,066,458	4,147,459	20,328,039	8,248,248
Non-controlling interests	(13,778)	27,801	(40,752)	49,974
	18,052,680	4,175,260	20,287,287	8,298,222
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	36.6 fils	8.4 fils	41.1 fils	16.7 fils

The attached notes 1 to 15 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 2020

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	18,052,680	4,175,260	20,287,287	8,298,222
Other comprehensive (loss) income				
<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	(6,623,009)	(525,353)	(7,398,572)	718,935
Net other comprehensive loss to be reclassified to interim condensed consolidated statement of income in subsequent periods	(6,623,009)	(525,353)	(7,398,572)	718,935
<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	-	-	-	9,820
Net other comprehensive (loss) income not to be reclassified to interim condensed consolidated statement of income in subsequent periods	-	-	-	9,820
Other comprehensive (loss) income	(6,623,009)	(525,353)	(7,398,572)	728,755
Total comprehensive income for the period	11,429,671	3,649,907	12,888,715	9,026,977
Attributable to:				
Equity holders of the Parent Company	11,443,449	3,622,106	12,929,467	8,977,003
Non-controlling interests	(13,778)	27,801	(40,752)	49,974
	11,429,671	3,649,907	12,888,715	9,026,977

The attached notes 1 to 15 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 2020

		30 June 2020 KD	(Audited) 31 December 2019 KD	30 June 2019 KD
ASSETS				
Cash and cash equivalents	4	2,844,874	6,617,854	9,288,069
Fixed deposits		2,207,000	6,744,193	2,681,055
Inventories		210,737	285,816	268,035
Accounts receivable and other assets	5	40,990,039	12,124,081	12,533,578
Financial assets at fair value through other comprehensive income	6	8,588,272	5,937,553	5,081,111
Interest in a joint venture		10,362,306	10,606,712	9,454,521
Right-of-use assets		715,469	917,783	381,512
Investment properties	7	280,322,528	259,963,689	236,390,439
Property and equipment		34,088,900	65,811,421	70,854,175
TOTAL ASSETS		380,330,125	369,009,102	346,932,495
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		10,730,281	-	240,570
Lease liability		3,040,910	3,237,095	280,063
Accounts payable and other liabilities		36,721,450	31,216,063	26,881,491
Commercial financing	8	21,862,400	29,927,962	33,424,472
Islamic financing	8	141,438,242	138,657,358	135,358,369
TOTAL LIABILITIES		213,793,283	203,038,478	196,184,965
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	(5,408,068)	(5,194,386)	(6,192,084)
Treasury shares reserve	10	3,146,232	2,872,702	2,470,481
Statutory reserve		30,280,511	30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		45,884,891	37,939,197	24,672,847
Fair value reserve		694,240	694,240	(162,201)
Foreign currency translation reserve		(14,996,429)	(10,107,119)	(9,789,479)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		166,418,171	163,301,939	148,096,869
Non-controlling interests		118,671	2,668,685	2,650,661
TOTAL EQUITY		166,536,842	165,970,624	150,747,530
TOTAL LIABILITIES AND EQUITY		380,330,125	369,009,102	346,932,495

Ghazi Fahad Alnafisi
Chairman

Faisal Abdulmohsen Al-Khatrash
Vice Chairman

The attached notes 1 to 15 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 2020

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 2020 (Audited)	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 for the period	-	-	-	-	-	-	20,328,039	-	-	20,328,039	(40,752)	20,287,287
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	(4,889,310)	(4,889,310)	(2,509,262)	(7,398,572)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	20,328,039	-	(4,889,310)	15,438,729	(2,550,014)	12,888,715
Dividends (Note 9)	-	-	-	-	-	-	(12,382,345)	-	-	(12,382,345)	-	(12,382,345)
Purchase of treasury shares	-	-	(798,567)	-	-	-	-	-	-	(798,567)	-	(798,567)
Sale of treasury shares	-	-	584,885	273,530	-	-	-	-	-	858,415	-	858,415
Balance as at 30 June 2020	51,272,341	35,055,163	(5,408,068)	3,146,232	30,280,511	20,489,290	45,884,891	694,240	(14,996,429)	166,418,171	118,671	166,536,842
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	-	-	-	-	-	-	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

The attached notes 1 to 15 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 2020

	Notes	Six months ended 30 June	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		21,245,153	8,686,883
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		44,113	(881,237)
Provision for employees' end of service benefits		373,938	399,984
Depreciation		2,638,742	2,799,283
Impairment of investment properties		1,100,000	-
Investment income		(324,028)	(476,945)
Foreign exchange loss		3,991	26,406
Interest income		(69,281)	(7,939)
Finance costs		343,510	711,466
		25,356,138	11,257,901
Change in operating assets and liabilities:			
Inventories		75,080	(9,995)
Accounts receivable and other assets		(1,172,806)	8,533,180
Accounts payable and other liabilities		(2,773,684)	1,586,979
Cash from operations		21,484,727	21,368,065
Employees' end of service benefits paid		(131,866)	(1,204)
KFAS paid		(226,540)	(163,939)
NLST paid		-	(455,387)
Zakat paid		-	(163,939)
Directors' remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		21,006,321	20,463,596
INVESTING ACTIVITIES			
Net movement in advance payments to contractors		705,078	(7,068,065)
Additions to investment properties	7	(22,616,057)	(25,810,235)
Additions to property and equipment		(557,497)	(768,624)
Proceeds from sale of property and equipment		-	5,400
Investment income received		324,028	476,945
Interest income received		69,281	7,939
Fixed deposits		4,537,193	(381,055)
Net cash flows used in investing activities		(17,537,974)	(33,537,695)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings obtained	8	14,363,725	29,157,282
Repayment of commercial and Islamic financings	8	(19,405,074)	(2,403,906)
Movement in due to banks and financial institutions		10,730,281	(194,747)
Finance costs paid		(343,510)	(705,891)
Dividends paid		(12,382,345)	(9,870,427)
Payment of lease liability		(264,252)	(205,736)
Purchase of treasury shares		(798,567)	(2,087,351)
Sale of treasury shares		858,415	1,294,016
Net cash flows (used in) from financing activities		(7,241,327)	14,983,240
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,772,980)	1,909,141
Cash and cash equivalents at 1 January 2020		6,617,854	7,378,928
CASH AND CASH EQUIVALENTS AT 30 June 2020	4	2,844,874	9,288,069

The attached notes 1 to 15 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 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 30 June 2020 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 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 PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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 six months period ended 30 June 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.

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 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 30 Jun 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 30 Jun 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 30 June 2020

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

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 considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

(iv) Lease modification

The Group, as a lessor, has assessed that the changes in the lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses (arising from an event such as COVID-19 pandemic) was not previously contemplated. In such a case, there is no lease modification for the purpose of IFRS 16.

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 30 June 2020.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
Profit for the period attributable to equity holders of the Parent Company (KD)	18,066,458	4,147,459	20,328,039	8,248,248
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	494,047,510	491,643,053	495,096,297	492,748,424
Basic and diluted earnings per share	36.6 fils	8.4 fils	41.1 fils	16.7 fils

4 CASH AND CASH EQUIVALENTS

	30 June	(Audited)	30 June
	2020	31 December	2019
	KD	KD	KD
Cash	7,143	120,284	16,798
Bank balances	2,837,731	6,497,570	9,271,271
Cash and cash equivalents	2,844,874	6,617,854	9,288,069

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 2020

5 ACCOUNTS RECEIVABLE AND OTHER ASSETS

Included in accounts receivable and other assets amount receivable on sale of a subsidiary amounting to KD 28,398,230, The amount has been received in the subsequent period (Note 15).

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 June 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 June 2019 KD</i>
Managed quoted portfolios	112,050	112,050	92,336
Managed unquoted portfolio	271,249	271,249	269,623
Unquoted equity securities	8,204,973	5,554,254	4,719,152
	<u>8,588,272</u>	<u>5,937,553</u>	<u>5,081,111</u>

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

7 INVESTMENT PROPERTIES

	<i>30 June 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 June 2019 KD</i>
As at 1 January	259,963,689	211,560,563	211,560,563
Additions	22,616,057	50,388,487	25,810,235
Depreciation	(578,146)	(1,874,993)	(957,905)
Foreign currency translation adjustment	(579,072)	296,804	(22,454)
Impairment loss	(1,100,000)	(407,172)	-
	<u>280,322,528</u>	<u>259,963,689</u>	<u>236,390,439</u>

Investment properties with a carrying value of KD 155,792 (31 December 2019: KD 155,792 and 30 June 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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8 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 June 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 June 2019 KD</i>
At 1 January	168,585,320	142,168,952	142,168,952
Loans received	14,363,725	46,211,603	29,157,282
Loans repaid	(19,405,074)	(19,558,269)	(2,403,906)
Foreign currency translation adjustment	(243,329)	(236,966)	(139,487)
	<u>163,300,642</u>	<u>168,585,320</u>	<u>168,782,841</u>
	<i>30 June 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 June 2019 KD</i>
Commercial financing	21,862,400	29,927,962	33,424,472
Islamic financing	141,438,242	138,657,358	135,358,369
	<u>163,300,642</u>	<u>168,585,320</u>	<u>168,782,841</u>

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 30 June 2019: 1.5% to 2% per annum) over Bank of England discount rate.

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 30 June 2019: 1% to 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 141,438,242 (31 December 2019: KD 138,657,358 and 30 June 2019: KD 135,358,369) 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 30 June 2019: KD 60,500,000) is secured by an investment property with a carrying value of KD 71,794,141 (31 December 2019: KD 71,794,141 and 30 June 2019: KD 71,794,141). Under the terms of the liability.

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

9 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 (2019: 20 fils per share) amounting to KD 12,382,345 for the year ended 31 December 2019 (2019: KD 9,870,427) to the registered shareholders as of the record date which is 3 April 2020, which is paid during the reporting period.

As at 30 June 2020, the authorized, issued and paid up capital comprises of 512,723,413 shares (31 December 2019: 512,723,413 shares and 30 June 2019: 512,723,413 shares) at 100 fils (31 December 2019: 100 fils and 30 June 2019: 100 fils) per share each and are fully paid in cash.

10 TREASURY SHARES

At 30 June 2020, the Parent Company held 18,350,497 of its own shares (31 December 2019: 18,321,260 and 30 June 2019: 22,051,957), equivalent to 3.58% (31 December 2019: 3.57% and 30 June 2019: 4.30%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 7,046,591 (31 December 2019: KD 7,639,965 and 30 June 2019: KD 7,387,406). Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

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

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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 2020	<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	112,050	-	112,050
Managed unquoted portfolio	-	271,249	271,249
Unquoted equity securities	-	8,204,973	8,204,973
	<u>112,050</u>	<u>8,476,222</u>	<u>8,588,272</u>
	<i>Level 1</i>	<i>Level 3</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>31 December 2019 (Audited)</i>			
<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>
	<i>Level 1</i>	<i>Level 3</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>30 June 2019</i>			
<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.

	<i>As at</i>	<i>Foreign currency</i>	<i>As at</i>
	<i>1 January 2020</i>	<i>translation</i>	<i>30 June</i>
	<i>KD</i>	<i>adjustment</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	5,937,553	2,650,719	8,588,272

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11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

During the period ended 30 June 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.

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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12 SEGMENTAL INFORMATION (continued)

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

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD
Segment revenue	5,238,209	2,099,177	3,965,505	9,771,461	5,458,698	7,985,855
Segment operating costs	(1,816,829)	(1,046,990)	(3,072,439)	(1,514,581)	(2,167,141)	(5,876,698)
Segment gross profit	3,421,380	1,052,187	893,066	8,256,880	3,291,557	2,109,157
Share in joint venture's results, net of tax	(44,113)	-	-	881,237	-	-
Depreciation	(1,503,012)	(876,232)	(259,498)	(1,561,320)	(746,244)	(511,236)
Other operating expenses	(1,277,731)	(647,915)	(347,192)	(1,208,938)	(934,656)	(695,846)
Finance costs	(193,153)	(16,934)	(133,423)	(375,309)	(47,766)	(282,816)
Taxation on overseas subsidiaries	-	-	(34,669)	-	-	(97,006)
Segment results	403,371	(488,894)	118,284	5,992,550	1,562,891	522,253
Interest income			69,281			7,939
Investment income			324,028			476,945
Gain from sale of interest in subsidiary			21,880,794			-
Impairment of investment properties			(1,100,000)			-
Other non-operating income, (net)			38,289			124,305
KFAS, NLST and Zakat			(957,866)			(388,661)
Profit for the period			20,287,287			8,298,222

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2020

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>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 June</i> <i>2019</i> <i>KD</i>
Letters of guarantee	964,625	964,625	937,560
Construction projects	42,547,316	90,000,000	89,301,557
	<u>43,511,941</u>	<u>90,964,625</u>	<u>90,239,117</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>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 June</i> <i>2019</i> <i>KD</i>
Staff receivables*	9,437	-	9,437	53,503	46,343
Due from related parties*	-	-	-	742,765	580,157

* 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>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Short-term benefits	167,037	119,915	350,221	288,051
Employees' end of service benefits	45,800	103,087	156,424	215,317
	<u>212,837</u>	<u>223,002</u>	<u>506,645</u>	<u>503,368</u>

15 GAIN FROM SALE OF SUBSIDIARY

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% for a total consideration of EUR 81,801,562 (KD 28,398,230). This has resulted in a gain of KD 21,880,794 recognised in profit or loss. The retained interest in the former subsidiary is accounted for as a financial asset carried at fair value through other comprehensive income in accordance with IFRS 9.

The Parent Company derecognised all assets and liabilities of the subsidiary at the date when control was lost and recognised revenue and expenses from the beginning of the period until the date of disposal.