

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

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

**30 SEPTEMBER 2020**



Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74  
18-20th Floor, Baitak Tower  
Ahmed Al Jaber Street  
Safat Square 13001, Kuwait

Tel: +965 2 295 5000  
Fax: +965 2 245 6419  
kuwait@kw.ey.com  
ey.com/mena

## **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 2020, 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 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 11,162,133 as at 30 September 2020 (31 December 2019: KD 10,606,712 and 30 September 2020: KD 9,801,618) and the share of the joint venture’s results net of tax for the nine months period ended 30 September 2020 included in the interim condensed consolidated statement of profit or loss is a profit of KD 143,980 (30 September 2019: profit of KD 1,870,521). 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)**

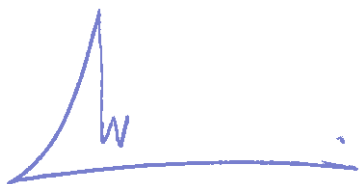
**Report on the Interim Condensed Consolidated Financial Information (continued)**

*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 nine-month period ended 30 September 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

3 November 2020  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2020

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</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		<b>3,928,554</b>	10,292,569	<b>15,231,445</b>	33,508,583
Operating costs		<b>(991,786)</b>	(4,634,654)	<b>(6,928,044)</b>	(14,193,074)
Gross profit		<b>2,936,768</b>	5,657,915	<b>8,303,401</b>	19,315,509
Share of joint venture's results, net of tax		<b>188,093</b>	989,284	<b>143,980</b>	1,870,521
General and administrative expenses		<b>(860,593)</b>	(1,482,079)	<b>(2,875,298)</b>	(4,048,575)
Depreciation		<b>(1,286,354)</b>	(1,493,724)	<b>(3,925,096)</b>	(4,312,524)
Sales and marketing expenses		<b>(30,908)</b>	(125,865)	<b>(289,039)</b>	(398,809)
Investment income		<b>(10,013)</b>	320,308	<b>314,015</b>	797,253
Foreign exchange loss		<b>(1,035)</b>	(22,856)	<b>(5,026)</b>	(49,262)
Interest income		<b>93</b>	3,705	<b>69,374</b>	11,644
Other income, net		<b>74,699</b>	64,442	<b>116,977</b>	215,153
Gain from sale of subsidiary	14	-	-	<b>21,880,794</b>	-
Impairment of investment properties	6	-	-	<b>(1,100,000)</b>	-
Finance costs		<b>(79,583)</b>	(387,255)	<b>(423,093)</b>	(1,093,146)
Profit before tax		<b>931,167</b>	3,523,875	<b>22,210,989</b>	12,307,764
Taxation on overseas subsidiaries		<b>(741)</b>	(47,840)	<b>(35,410)</b>	(144,846)
<b>PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT</b>		<b>930,426</b>	3,476,035	<b>22,175,579</b>	12,162,918
KFAS		<b>(9,411)</b>	(34,053)	<b>(222,270)</b>	(120,422)
NLST		<b>(23,527)</b>	(85,133)	<b>(555,675)</b>	(301,056)
Zakat		<b>(9,411)</b>	(34,053)	<b>(222,270)</b>	(120,422)
<b>PROFIT FOR THE PERIOD</b>		<b>888,077</b>	3,322,796	<b>21,175,364</b>	11,621,018
<b>Attributable to:</b>					
Equity holders of the Parent Company		<b>898,739</b>	3,252,091	<b>21,226,778</b>	11,500,339
Non-controlling interests		<b>(10,662)</b>	70,705	<b>(51,414)</b>	120,679
		<b>888,077</b>	3,322,796	<b>21,175,364</b>	11,621,018
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>1.8 fils</b>	6.6 fils	<b>42.9 fils</b>	23.4 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 2020

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Profit for the period</b>	<b>888,077</b>	3,322,796	<b>21,175,364</b>	11,621,018
<b>Other comprehensive income (loss) income</b>				
<i>Other comprehensive income (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	<b>1,427,862</b>	(1,865,729)	<b>(5,970,710)</b>	(1,146,794)
<b>Net other comprehensive income (loss) to be reclassified to interim condensed consolidated statement of income in subsequent periods</b>	<b>1,427,862</b>	(1,865,729)	<b>(5,970,710)</b>	(1,146,794)
<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
<b>Net other comprehensive income (loss) not to be reclassified to interim condensed consolidated statement of income in subsequent periods</b>	-	-	-	9,820
<b>Other comprehensive (loss) income</b>	<b>1,427,862</b>	(1,865,729)	<b>(5,970,710)</b>	(1,136,974)
<b>Total comprehensive income for the period</b>	<b>2,315,939</b>	1,457,067	<b>15,204,654</b>	10,484,044
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>2,326,601</b>	1,710,132	<b>15,256,068</b>	10,687,136
Non-controlling interests	<b>(10,662)</b>	(253,065)	<b>(51,414)</b>	(203,092)
	<b>2,315,939</b>	1,457,067	<b>15,204,654</b>	10,484,044

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 2020

		30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
<b>ASSETS</b>				
Cash and cash equivalents	4	2,563,704	6,617,854	7,573,676
Fixed deposits		1,850,000	6,744,193	2,578,188
Inventories		208,079	285,816	275,458
Accounts receivable and other assets		11,265,661	12,124,081	11,644,027
Financial assets at fair value through other comprehensive income	5	8,590,193	5,937,553	5,081,111
Interest in a joint venture		11,162,133	10,606,712	9,801,618
Right-of-use assets		617,417	917,783	345,563
Investment properties	6	288,184,794	259,963,689	248,385,505
Property and equipment		33,294,849	65,811,421	69,066,918
<b>TOTAL ASSETS</b>		<b>357,736,830</b>	<b>369,009,102</b>	<b>354,752,064</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and financial institutions		3,399,006	-	2,625,007
Lease liability		3,066,226	3,237,095	301,038
Accounts payable and other liabilities		33,774,508	31,216,063	28,985,617
Commercial financing	7	7,057,408	29,927,962	28,457,714
Islamic financing	7	141,396,980	138,657,358	141,829,534
<b>TOTAL LIABILITIES</b>		<b>188,694,128</b>	<b>203,038,478</b>	<b>202,198,910</b>
<b>EQUITY</b>				
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	(5,347,238)	(5,194,386)	(5,911,419)
Treasury shares reserve	9	3,275,323	2,872,702	2,538,373
Statutory reserve		30,280,511	30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		46,783,630	37,939,197	27,924,938
Fair value reserve		694,240	694,240	(162,201)
Foreign currency translation reserve		(13,563,275)	(10,107,119)	(11,537,269)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>168,939,985</b>	<b>163,301,939</b>	<b>149,949,727</b>
Non-controlling interests		102,717	2,668,685	2,603,427
<b>TOTAL EQUITY</b>		<b>169,042,702</b>	<b>165,970,624</b>	<b>152,553,154</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>357,736,830</b>	<b>369,009,102</b>	<b>354,752,064</b>

Ghazi Fahad Ainafisi  
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 30 September 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	-	-	-	-	-	-	21,226,778	-	-	21,226,778	(51,414)	21,175,364
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(3,456,156)	(3,456,156)	(2,514,554)	(5,970,710)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	21,226,778	-	(3,456,156)	17,770,622	(2,565,968)	15,204,654
Dividends (Note 8)	-	-	-	-	-	-	(12,382,345)	-	-	(12,382,345)	-	(12,382,345)
Purchase of treasury shares	-	-	(1,110,416)	-	-	-	-	-	-	(1,110,416)	-	(1,110,416)
Sale of treasury shares	-	-	957,564	402,621	-	-	-	-	-	1,360,185	-	1,360,185
<b>Balance as at 30 September 2020</b>	<b>51,272,341</b>	<b>35,055,163</b>	<b>(5,347,238)</b>	<b>3,275,323</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>46,783,630</b>	<b>694,240</b>	<b>(13,563,275)</b>	<b>168,939,985</b>	<b>102,717</b>	<b>169,042,702</b>
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	-	-	-	-	-	-	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 8)	-	-	-	-	-	-	(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
<b>Balance as at 30 September 2019</b>	<b>51,272,341</b>	<b>35,055,163</b>	<b>(5,911,419)</b>	<b>2,538,373</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>27,924,938</b>	<b>(162,201)</b>	<b>(11,537,269)</b>	<b>149,949,727</b>	<b>2,603,427</b>	<b>152,553,154</b>

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 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		22,175,579	12,162,918
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		(143,980)	(1,870,521)
Provision for employees' end of service benefits		507,059	493,840
Depreciation		3,925,096	4,312,524
Impairment of investment properties		1,100,000	-
Investment income		(314,015)	(797,253)
Gain from sale of subsidiary		(21,880,794)	-
Foreign exchange loss		5,026	49,262
Interest income		(69,374)	(11,644)
Finance costs		423,093	1,093,146
		<b>5,727,690</b>	<b>15,432,272</b>
Change in operating assets and liabilities:			
Inventories		77,737	(17,418)
Accounts receivable and other assets		(279,837)	8,790,036
Accounts payable and other liabilities		4,962,359	2,133,389
Net of effect from disposal of subsidiary		12,855,384	-
Cash from operations		<b>23,343,333</b>	<b>26,338,279</b>
Employees' end of service benefits paid		(660,249)	(6,098)
KFAS paid		(226,540)	(163,939)
NLST paid		(566,350)	(455,387)
Zakat paid		(226,540)	(163,939)
Directors' remuneration paid		(120,000)	-
Net cash flows from operating activities		<b>21,543,654</b>	<b>25,548,916</b>
<b>INVESTING ACTIVITIES</b>			
Net movement in advance payments to contractors		1,138,257	(6,426,922)
Additions to investment properties	6	(30,280,390)	(38,525,327)
Additions to property and equipment		(318,719)	(1,048,250)
Proceeds from sale of property and equipment		-	17,486
Proceeds from sale of subsidiary		28,398,230	-
Investment income received		314,015	797,253
Interest income received		69,374	11,644
Fixed deposits		4,894,193	(278,188)
Net cash flows from (used in) investing activities		<b>4,214,960</b>	<b>(45,452,304)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from commercial and Islamic financings obtained	7	18,853,085	33,663,279
Repayment of commercial and Islamic financings	7	(38,935,696)	(4,580,049)
Movement in due to banks and financial institutions		3,399,006	2,625,007
Finance costs paid		(423,093)	(1,093,146)
Dividends paid		(12,382,345)	(9,870,427)
Payment of lease liability		(170,869)	(201,750)
Purchase of treasury shares		(1,084,137)	(2,191,949)
Sale of treasury shares		931,285	1,747,171
Net cash flows (used in) from financing activities		<b>(29,812,764)</b>	<b>20,098,136</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(4,054,150)</b>	<b>194,748</b>
Cash and cash equivalents at 1 January 2020		6,617,854	7,378,928
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER 2020</b>	4	<b>2,563,704</b>	<b>7,573,676</b>

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 September 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 September 2020 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 3 November 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 GROUP’S 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 nine months period ended 30 September 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).

#### 2.1 Summary of accounting policies for new transactions and events

##### **Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

#### 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 interim condensed financial information 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 30 September 2020

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

**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 interim condensed consolidated financial information of the Group, nor is there expected to be any future impact to the Group.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

**Amendments to IFRS 16 *COVID-19 Related Rent Concessions***

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed consolidated financial information of the Group.

**Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform***

The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

**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 September 2020:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**Impact of COVID-19 (continued)**

**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 September 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.

*(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.

## 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 2020

#### 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 September 2020.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<b>2020</b>	2019	<b>2020</b>	2019
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>898,739</b>	3,252,091	<b>21,226,778</b>	11,500,339
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>494,469,871</b>	493,572,101	<b>494,394,357</b>	492,206,177
Basic and diluted earnings per share	<b>1.8 fils</b>	6.6 fils	<b>42.9 fils</b>	23.4 fils

#### 4 CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Cash	<b>8,550</b>	120,284	17,356
Bank balances	<b>2,555,154</b>	6,497,570	7,556,320
Cash and cash equivalents	<b>2,563,704</b>	6,617,854	7,573,676

# 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 2020

### 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 September 2020 KD</b>	<i>(Audited)</i> <b>31 December 2019 KD</b>	<b>30 September 2019 KD</b>
Managed quoted portfolios	<b>112,050</b>	112,050	92,336
Managed unquoted portfolio	<b>271,249</b>	271,249	269,623
Unquoted equity securities	<b>8,206,894</b>	5,554,254	4,719,152
	<b><u>8,590,193</u></b>	<u>5,937,553</u>	<u>5,081,111</u>

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

### 6 INVESTMENT PROPERTIES

	<b>30 September 2020 KD</b>	<i>(Audited)</i> <b>31 December 2019 KD</b>	<b>30 September 2019 KD</b>
As at 1 January	<b>259,963,689</b>	211,560,563	211,560,563
Additions	<b>30,280,390</b>	50,388,487	38,525,327
Depreciation	<b>(897,542)</b>	(1,874,993)	(1,396,085)
Foreign currency translation adjustment	<b>(61,743)</b>	296,804	(304,300)
Impairment loss	<b>(1,100,000)</b>	(407,172)	-
	<b><u>288,184,794</u></b>	<u>259,963,689</u>	<u>248,385,505</u>

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

	<b>30 September 2020 KD</b>	<i>(Audited)</i> <b>31 December 2019 KD</b>	<b>30 September 2019 KD</b>
At 1 January	<b>168,585,320</b>	142,168,952	142,168,952
Loans received	<b>18,853,085</b>	46,211,603	33,663,279
Loans repaid	<b>(38,935,696)</b>	(19,558,269)	(4,580,049)
Foreign currency translation adjustment	<b>(48,321)</b>	(236,966)	(964,934)
	<b><u>148,454,388</u></b>	<u>168,585,320</u>	<u>170,287,248</u>
		<i>(Audited)</i>	
	<b>30 September 2020 KD</b>	<b>31 December 2019 KD</b>	<b>30 September 2019 KD</b>
Commercial financing	<b>7,057,408</b>	29,927,962	28,457,714
Islamic financing	<b>141,396,980</b>	138,657,358	141,829,534
	<b><u>148,454,388</u></b>	<u>168,585,320</u>	<u>170,287,248</u>

Commercial financing denominated in GBP, carries variable interest rates which range from 0.05% to 0.5% per annum (31 December 2019: 0.05% to 0.5% per annum and 30 September 2019: 0.05% to 0.5% per annum) over LIBOUR.

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 September 2019: 1% to 1.25% per annum) over the Central Bank of Kuwait discount rate.

# 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 2020

### 7 COMMERCIAL AND ISLAMIC FINANCING (continued)

Islamic financing amounting to KD 141,396,980 (31 December 2019: KD 138,657,358 and 30 September 2019: KD 141,829,534) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 62,000,000 (31 December 2019: KD 61,000,000 and 30 September 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 September 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.

### 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 which is 3 April 2020, which is paid during the reporting period.

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

### 9 TREASURY SHARES

At 30 September 2020, the Parent Company held 17,886,856 of its own shares (31 December 2019: 18,321,260 and 30 September 2019: 20,998,631), equivalent to 3.49% (31 December 2019: 3.57% and 30 September 2019: 4.10%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 7,154,742 (31 December 2019: KD 7,639,965 and 30 September 2019: KD 6,950,547). 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:

<b>30 September 2020</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	112,050	-	112,050
Managed unquoted portfolio	-	271,249	271,249
Unquoted equity securities	-	8,206,894	8,206,894
	<u>112,050</u>	<u>8,478,143</u>	<u>8,590,193</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 2020

#### 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

##### Fair value hierarchy (continued)

	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
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
	112,050	5,825,503	5,937,553
	112,050	5,825,503	5,937,553
30 September 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
	92,336	4,988,775	5,081,111
	92,336	4,988,775	5,081,111

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 2020</i> <i>KD</i>	<i>Transfer in</i>	<i>As at</i> <i>30 September</i> <i>2020</i> <i>KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	5,825,503	2,652,640	8,478,143

During the period ended 30 September 2020, there were no transfers between Level 1 and Level 2 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.

#### 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 30 September 2020

**11 SEGMENTAL INFORMATION (continued)**

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

	<i>Nine months ended 30 September 2020</i>			<i>Nine months ended 30 September 2019</i>		
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>
Segment revenue	9,047,694	2,133,439	4,050,312	14,440,019	7,118,624	11,949,940
Segment operating costs	(2,546,119)	(1,243,778)	(3,138,147)	(2,550,356)	(2,932,156)	(8,710,562)
Segment gross profit	<b>6,501,575</b>	<b>889,661</b>	<b>912,165</b>	<b>11,889,663</b>	<b>4,186,468</b>	<b>3,239,378</b>
Share in joint venture's results, net of tax	143,980	-	-	1,870,521	-	-
Depreciation	(2,286,185)	(1,373,863)	(265,048)	(2,438,696)	(1,125,583)	(748,245)
Other operating expenses	(1,940,253)	(869,469)	(354,619)	(2,023,341)	(1,354,188)	(1,069,855)
Finance costs	(269,812)	(17,004)	(136,277)	(610,642)	(63,694)	(418,810)
Taxation on overseas subsidiaries	-	-	(35,410)	-	-	(144,846)
Segment results	<b>2,149,305</b>	<b>(1,370,675)</b>	<b>120,811</b>	<b>8,687,505</b>	<b>1,643,003</b>	<b>857,622</b>
Interest income	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Gain from sale of subsidiary	-	-	-	-	-	-
Impairment of investment properties	-	-	-	-	-	-
Other non-operating income, (net)	-	-	-	-	-	-
KFAS, NLSST and Zakat	-	-	-	-	-	-
<b>Profit for the period</b>	<b>2,149,305</b>	<b>(1,370,675)</b>	<b>120,811</b>	<b>8,687,505</b>	<b>1,643,003</b>	<b>857,622</b>
	<b>69,374</b>	<b>314,015</b>	<b>69,374</b>	<b>11,644</b>	<b>11,644</b>	<b>11,644</b>
	<b>21,880,794</b>	<b>(1,100,000)</b>	<b>21,880,794</b>	<b>797,253</b>	<b>797,253</b>	<b>797,253</b>
	<b>(1,100,000)</b>	<b>111,955</b>	<b>(1,100,000)</b>	<b>(1,093,146)</b>	<b>(144,846)</b>	<b>(144,846)</b>
	<b>(1,000,215)</b>	<b>21,175,364</b>	<b>(1,000,215)</b>	<b>(144,846)</b>	<b>(144,846)</b>	<b>(144,846)</b>
	<b>21,175,364</b>	<b>21,175,364</b>	<b>21,175,364</b>	<b>11,188,130</b>	<b>11,188,130</b>	<b>11,188,130</b>





## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

**12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<b>30 September 2020 KD</b>	<i>(Audited)</i> 31 December 2019 KD	30 September 2019 KD
Letters of guarantee	<b>964,625</b>	964,625	937,560
Construction projects	<b>36,458,516</b>	90,000,000	77,497,437
	<b>37,423,141</b>	90,964,625	78,434,997

**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 Company KD</i>	<i>Affiliates KD</i>	<b>30 September 2020 KD</b>	<i>(Audited)</i> 31 December 2019 KD	30 September 2019 KD
Staff receivables*	118,801	-	<b>118,801</b>	53,503	46,835
Due from related parties*	-	-	-	742,765	602,970

\* 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 30 September</i>		<i>Nine months ended 30 September</i>	
	<b>2020 KD</b>	2019 KD	<b>2020 KD</b>	2019 KD
Short-term benefits	<b>165,663</b>	138,948	<b>515,884</b>	426,999
Employees' end of service benefits	<b>43,516</b>	29,852	<b>199,940</b>	245,169
	<b>209,179</b>	168,800	<b>715,824</b>	672,168

**14 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.