SALHIA

ANNUAL REPORT

2020

H. H. SHAIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
The Amir of the State of Kuwait

H. H. SHAIKH
MISHAL AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the State of Kuwait

H. H. SHAIKH
SABAH AL-KHALID AL-HAMAD AL-SABAH
Prime Minister of the State of Kuwait

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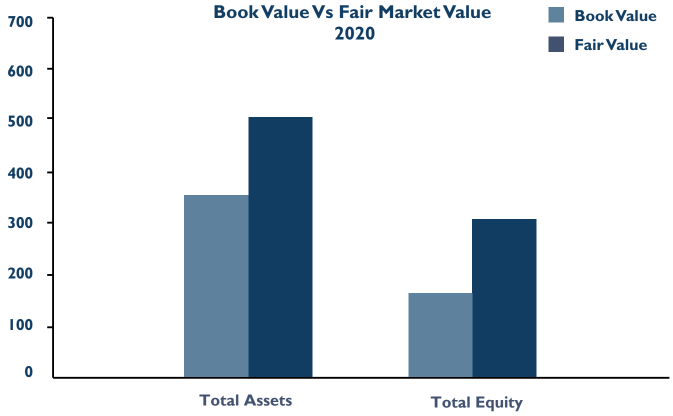
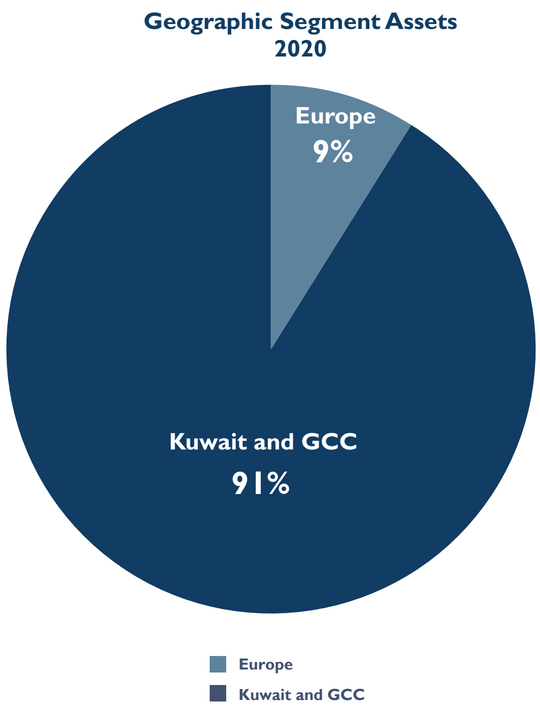
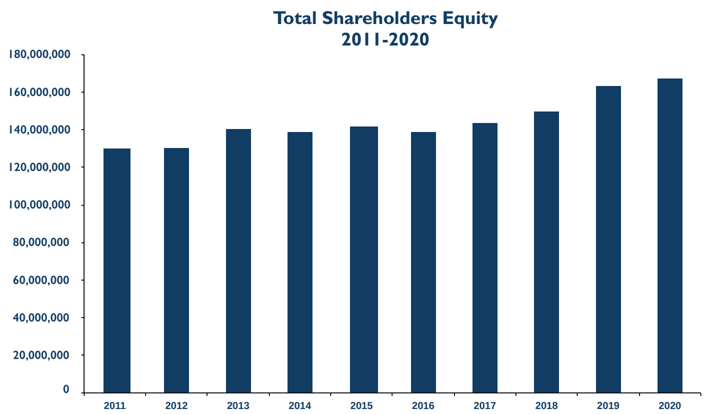
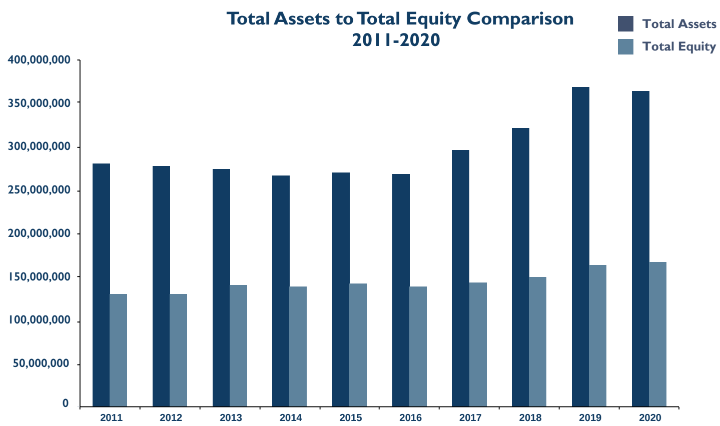
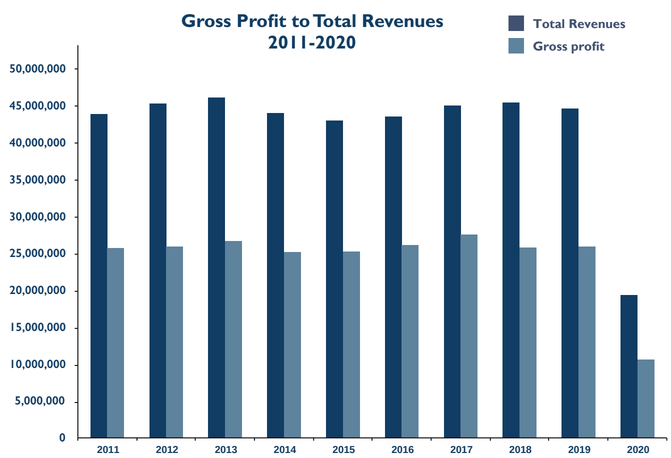
- The company evaluates its assets through independent professional appraiser in the G.C.C and the European market. The total assets has been estimated fair market value KD 501 Million (Book Value KD 364 Million).
- The Estimated fair market value for the total shareholders equity KD 307 Million (Book Value KD167 Million).











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FAISAL ABDUL MOHSEN AL-KHATRASH
Vice Chairman

ANWAR ABDULAZIZ AL-USAIMI
Board Member & Chief Executive Officer

ABDULAZIZ GHAZI ALNAFISI
Board Member & Deputy Chief Executive Officer

YOUSSEF ESSA AL-OTHMAN
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ABDULRAHMAN ABDULAZIZ AL BABTAIN
Board Member

MARZOUK FAJHAN AL-MUTAIRI
Board Member

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Board Member

MOHAMMAD KHALIL AL-MUSAIBEEH
Board Secretary

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ABDULAZIZ GHAZI ALNAFISI
Deputy Chief Executive Officer – Investment Group Head

BADER KHALIFAH AL-ADSANI
Real Estate Management & Development Group Head

MOHAMMAD KHALIL AL-MUSAIBEEH
Assistant Finance, Accounting & HR Group Head

NASSER BADER AL-GHANIM
Group Investment Manager

ABDULNASSER BADER ALTURKAIT
Group Information Technology Manager

ALI JASSIM ABUL
Group Human Resources & Administration Deputy Manager

AHMED MAHMOUD AL-QURAISH
Project Property Development Manager

FAISAL KHALID BINSALAMAH
Group Property Manager

ADEL BIN HASSAN MARHOUM
Group Leasing Manager

CHAIRMAN`S STATEMENT

Dear Shareholders of Salhia Real Estate Company,

On behalf of myself and the members of the Board of Directors, I am pleased to welcome you again and present to you the Annual Report and financial results of Salhia Real Estate Company for the fiscal year which ends on December 31st, 2020. Looking back in hindsight at our achievements and endeavors which were largely due to the hard work and continuous support of the Board of Directors, our Executive Management and all the employees of the company, and it is with your confidence and trust that the future growth and success of the company depends on.

First and foremost, our deepest condolences to Kuwait, and the Arab and Islamic nations on the demise of His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, May God forgive him, have mercy on him, and honor his legacy.

We also extend our congratulations to His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah for assuming the reins of power and to His Highness Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah on his appointment as Crown Prince of the State of Kuwait. We ask the Almighty to help them, and guide them in the march of progress and development in the service of Kuwait and its people.

To our shareholders, we extend our sincere gratitude for the trust they have placed in us and for their fruitful cooperation during the company's progress in achieving the best results over the past decades. We had witnessed many difficulties and faced many challenges, but with God's will, and your constant support and hard work, we have overcome all obstacles. The year 2020 brought with it challenges both locally and globally. The spread of the Corona virus (COVID-19) pandemic in March 2020 led to the shutdown of many countries and the consequential suspension of commercial activities impacted not only the economic growth but the global demand for oil. The spread of this pandemic has negatively affected investor sentiment and caused a slowdown in the global economy.

The company's plan to deal with the Corona crisis

Salhia Real Estate Company has spared no effort in facing the repercussions of the Corona virus. All available preventative methods were applied, and a crisis management team was assembled to deal with the repercussions with the aim of preserving the positive performance of the company and maintaining its relations with its stakeholders. Moreover, the company took the initiative set by the Board of Directors, along with the cooperation of the Executive Management to evaluate the rental and operational status of its properties. In addition, the pandemic had a major impact on our tenants and their ability to fulfill all their financial obligations with the company. Therefore, the principles adopted by the company in cooperation with its tenants along with the involvement of all company facilities to assist in mitigating the negative economic effects of this pandemic were taken into account. The measures taken by the company were met with satisfaction and welcomed by the tenants, expressing appreciation on the company's handling of the crisis.

The company's management carried out and developed a complete plan according to the stages of the gradual return to normal life. Opening of the facilities was established according to government guidelines and comprised with the necessary precautions and provisions in place to deal with the Corona virus crisis and ensue the health and safety of the public.

The company's performance within a year

Despite the negative behavior that impacted 2020, the company maintained its approach to enhancing profits and exploiting available investment opportunities towards achieving the best returns. In addition to maximizing the rights of its shareholders. During the past year, Salhia Real Estate Company completed a deal to sell 90% of its stake in Haddia Holding Company in Germany (90.89% owned by Salhia Real Estate Company). Haddia works in the field of residential care homes for the elderly. The total value of the deal was 81.8 million Euros, equivalent to approximately 28 million KD. The company's profits from this amounted to 21.8 million KD, which was reflected in the second quarter of 2020 profits.

Furthermore, with the support of the company's strong financial position, Salhia Real Estate Company and its subsidiary (Assima Real Estate Company) repaid partial bank fundings in the amount of 28 million KD. As a result, the paid financing costs were reduced by approximately 770,000 KD annually.

The progress of The Assima project, was halted due to the short isolation period sanctioned, along with the quarantine of certain areas in Kuwait. Nevertheless, work has now returned in full force on the project, and we assure you that the stages set for the project completion are taking place at a steady pace. In addition to that, the leasing work in the commercial component of the project is going as planned and it has come close to achieving its goals. The company will continue on working hard for the opening of the Assima Project without delay in the specified time plan.

Financial indicators

In regards to the summary of the financial performance for the year 2020, the company achieved a profit of 21.3 million KD and a profit of 43.05 Fils per share compared to the previous year, where the profitability amounted to 21.5 million KD, with a profit of 43.70 Fils per share, resulting in a decrease of 1%. The total assets of the company stand at 364 million KD for the current year compared to 369 million KD for the previous year, a decrease of 1%.

Whereas the total liabilities witnessed a decrease of 196 million KD in the year 2020 compared to 203 million KD for the previous year, a decrease of 3% due to the company's payment of bank funds and the exclusion of the subsidiary company's consolidation.

In contrast, shareholders equity increased to 167 million KD for the year 2020 compared to the previous year, which amounted to 163 million KD, an increase of 2%. Thus, the book value increased to 336 Fils compared to the previous year, which amounted to 330 Fils, an increase of 2%. Taking that into account, all previous financial statements were recorded according to the historical cost indicated on the financial statements for the year 2020.

With regard to the market value of total assets, including assets that were evaluated by specialized evaluators at the end of 2020, amounted to 501 million KD, and thus the equity and the surplus in the assets revaluation resulted to 307 million KD, approximately raising the book value in accordance to the fair value per share to 600 Fils.

Board recommendations

The Board of Directors proposed allocating a remuneration to the Board Members for the year 2020 in the amount of -/ 120,000 KD (-/ 120,000 KD for the year 2019), subject to the approval of the Annual General Assembly of the shareholders of the company.

The company's Board of Directors also approved the recommendation to distribute cash dividends at a value of 30 Fils per share for the year 2020 (25 Fils for the year 2019), provided that this proposal is subject to the approval of the Annual General Assembly of the shareholders of the company registered in the company's records on the record day.

Dear shareholders,

In conclusion, I extend my sincere thanks and appreciation to the shareholders, members of the Board of Directors, the executive body, and the employees of the company in all the departments for their hard work and continuous effort to overcome the challenges and achieve the goals, objectives and vision of the company.
May God help us all to serve this generous country under His Highness the Amir Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah and His Crown Prince His Highness Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah and Prime Minister Sheikh Sabah Al-Khaled Al-Hamad Al-Sabah and the rational government, directing them all with the most sincere expressions of thanks, appreciation and praise.

May God protect Kuwait and its people from all harm, and we wish everyone continuous health, well-being and unity to raise the situation of our beloved country.

Yours sincerely ,,,
Ghazi Fahad Alnafisi
Chairman

REPORT OF THE BOARD OF DIRECTORS

LOCAL INVESTMENTS


AL-NASSAR

Salhia Commercial Complex

Salhia Real Estate Company's original flagship property, Salhia Commercial Complex, has long been regarded as Kuwait's premier shopping destination. It is known locally as home to many elite brands, and due to its continuous modernization and enhancements, this reputation is as strong today as it was in 1978 when the complex was first opened.

Located in the heart of Kuwait City's traditional shopping area, this property was the first multi-purpose retail and leisure development in the GCC region. Today, it incorporates three floors of stores, focusing on high street fashion and classic luxury brands, and five floors of contemporary offices located above the stores with a total rentable area of 25,500 m². Salhia Commercial Complex has maintained a unique record of 100 percent occupancy rate over the years.

The Complex provides car park facilities catering to 804 vehicles which augments the outstanding development that offers a high quality and all-inclusive experience for shoppers, businesses and visitors alike.

Salhia Plaza

Salhia Plaza area has become an integral component of Salhia Commercial Complex, providing an attractive hot spot for visitors through a perfect strip of cafés and restaurants. It also features an outdoor water fountain and an elegant landscaped courtyard. Salhia Plaza utilizes the most energy efficient lighting systems in line with its continuous efforts to conserve electricity, overheads and consumption. It has further introduced a smart parking system with several Electronic Vehicle (EV) chargers in its multi-functional car park facilities and the first payment via bank card option for its parking services. Since its inception in 2005, the Plaza has quickly become an attractive destination for locals and travelers.

Sahab Tower

Since its opening in 1997, Sahab Tower has yielded a continuous 100 percent occupancy rate. With three levels dedicated to commercial activities along with 20 floors of luxurious corporate office space. The tower offers magnificent views over the city's skyline and is regarded as an ideal base for businesses in Kuwait.

Connected to the Salhia Commercial Complex through a suspended bridge on the mezzanine floor, Sahab Tower has a rentable area equivalent to 10,738 m² and is occupied by reputable local and International firms.

JW Marriott Kuwait

Distinguished among Kuwait's authentic luxury and award-winning hotels, the JW Marriott Kuwait City, is modern luxury in the heart of Kuwait City's commercial and financial center. Only 15 minutes away from Kuwait International Airport, the hotel is a short distance away from Kuwait's most prestigious shopping malls in addition to Sheikh Jaber Al Ahmad Cultural Centre (JACC), prominent governmental establishments and the more sought out Shaheed Park. The direct access to Salhia Commercial Complex, home to the finest luxury brands, makes JW Marriott Kuwait a perfect destination and transforms each stay for business and leisure travelers into a more mindful and fulfilling experience.

Elegantly appointed rooms and suites are complemented by personalized services around the clock while providing the finest luxuries and latest in technology, equipped with hi-tech services like the Marriott Bonvoy Mobile application. The JW Marriott Kuwait has three gastronomic restaurants as well as the reputable lobby lounge known as the Tea Lounge, where guests get to enjoy gourmet tea and coffee including quick sumptuous snacks. The hotel features a wide array of recreational facilities, including the Elite Health Club and an indoor swimming pool. The health club caters to health aficionados with state-of-the-art equipment, sauna, Jacuzzi, steam rooms, and sun terrace. Guests can choose from a range of event spaces, including ballrooms and meeting rooms each delivering a different ambiance and venue style. JW Marriott Kuwait is among the chosen destinations for local weddings and hi-profile events in Kuwait.

In a quest to enrich the stay of its guests, the hotel underwent many soft refurbishments and renovations over the years, seamlessly crafting a 5 star luxury hotel experience.

Arraya

Arraya Commercial Centre is considered one of the most significant projects within Salhia Real Estate Company's portfolio. Its prominent location in the east of Kuwait City has turned it into a hub attracting local and international visitors and companies since it first opened its doors in 2003. Arraya Commercial Centre comprises of three commercial floors which include a wide array of exquisite showrooms, retail shops, cafés and restaurants. Furthermore, the Centre has seven floors dedicated for commercial office use, distinguished by high standard facilities and services, as well as the distinguished Courtyard by Marriott Kuwait City Hotel. The Centre is annexed with a six floor car park facility for visitors and guests accommodating 1,400 cars, connected by suspended bridges overlooking the Arraya Plaza, an estimated area of 3,000 m^2 offering

a beautiful and comfortable outdoor seating area. Arraya Plaza is surrounded by modern shades and water fountains, in addition to innovative lighting which adds a magnificent ambience to the area, and is host to various events, functions, and social activities that take place regularly throughout the year.

Conveniently located in the heart of the city and adjacent to the Arraya Commercial Centre, the Courtyard by Marriott Kuwait City Hotel is a mere 15-minute drive from the airport. Managed by Marriott International for over a decade, the Courtyard by Marriott Kuwait City features the Arraya Ballroom, one of the largest and most opulent ballrooms in Kuwait spanning across 1,482 m^2 and boasting a 1,000-slot car parking space with direct access to the venue. Arraya Ballroom is one of the most sought after ballrooms in the country, catering to high-profile functions, weddings, social events, conferences, and exhibitions.

The hotel features panoramic city views and side views of the Kuwait Towers and delivers seamless transitions between work and leisure for its guests. Through utilizing the latest in technological advancements, the hotel provides comprehensive services like online booking, checking in, and addressing all guest inquiries through the click of a button.The hotel further provides the Club Lounge for its business travelers looking for a space to hold important meetings or prepare a visual presentation, as it has 6 meeting rooms suitable for small and medium sized events, training courses and new product launches. All meeting rooms feature strong natural lighting, high-speed internet, audio and video equipment, and a business center.

Situated on the 10th floor of the hotel, the 25-meter temperature controlled rooftop swimming and whirlpool overlooking Kuwait City skyline offers a perfect way for guests to unwind. The health club offers a wide choice of resistance and cardiovascular machines, personal trainers and features a fully equipped state-of-the-art gym, sauna, steam rooms, and massage room.

A soft refurbishment took place in the hotel, upgrading the bedding, the air conditioning system and implementing a keyless system for all rooms. This 'new normal' may evolve and change over time to reflect government guidance and new societal expectations.

New cleaning protocols were developed throughout each step of the guests' journey targeting every physical space in the hotel. Scientifically supported practices and innovations were deployed, with a focus on these specific priorities, enhancing cleaning protocols to disinfect every space especially during peak usage, consistently and frequently disinfecting all high touch surfaces like elevator buttons and escalator handrails, hand sanitation stations were added throughout the hotel. Using mobile technology like the Mobile Key,

Mobile Dining, eFolio delivery and Mobile Requests via the Marriott Bonvoy™ app, has enabled social and physical distancing practices to reduce allowable capacities in spaces, increased distance between furniture and managing queueing areas and supported hybrid meetings via live streaming capabilities.

Arraya Tower, one of the most prominent towers in the city, occupies an area of 1,058 m^2 soaring 300 meters in height. It comprises of 60 floors and is furnished with ultra-deluxe architectural finishing allocated primarily for office use. The tower is served by 16 elevators distributed among three elegantly designed modern entrances. Each entrance serves a number of floors, providing ease of access and convenience to the users. The tower provides first-class services to the tenants including a smart parking system with several Electronic Vehicle (EV) chargers in its multi-functional car park facilities and the first payment via bank card option for its parking services, modern IT systems, and a 24 hour security and maintenance system. It utilizes an open layout method for its floors, with flexible rental spaces clear of columns ranging from 250-740 m^2, giving tenants the freedom to apply the divisions they deem suitable for their business needs.

The year 2020 witnessed many challenges, the most prominent of which were the Covid-19 pandemic and the exit of the National Bank of Kuwait, which used to occupy 56% of Arraya Tower's leasable area. Nevertheless, Salhia Real Estate Company was able to sign up new tenants, including Warba bank among many others, resulting in a 75% occupancy rate by the end of 2020. This reflects the high corporate demand and desirability for office space in the tower for its high-level of services and numerous benefits.

The Assima Project

The Assima project is built on a large plot of land in Kuwait City with a built up area of 380,000 m^2, featuring three main components; a shopping mall with urban parks, an office tower with stunning sea-views and cityscapes, and a residence hotel. The project also features ample parking to serve its three main landmarks. It has the advantage of being located in the heart of the Sharq business district which houses the headquarters of many local and international companies. The project is also located next to key landmarks such as the Kuwait Stock Exchange and the Central Bank of Kuwait, and is within close proximity to residential areas.

The Assima project has a unique and modern design, which stands out as a landmark by itself against the

Kuwait City skyline. It is designed with state-of-the- art technology used to reduce energy consumption and the design allows for natural ventilation with green elements used to complement its eco-friendly features.

The project has reached advanced stages of execution in accordance with the planned timetable after obtaining full required approvals and licenses for commercial and investment properties in the Sharq area and is part of a 21,414 m^2 area. It is rare to find a site like this is in the capital and Assima is considered the biggest commercial project to date in the city.This project is divided into 7,358 m^2 of commercial plots and 10,611 m^2 of investment plots/commercial offices.

It also includes a 3,445 m^2 hotel surrounded by state lands of approximately 18,738 m^2 and by streets in all four directions, including two significant streets which are Abdulaziz Al-Sager Street (previously Al Shuhada'a) and Khalid Bin Al Waleed Street.

The commercial component spans an area of over 19,668 m^2 consisting of four basements floors. The fourth basement floor will be partially utilized for mechanical services. The other three basements are extended to the property boundaries, including two basements (second and third) to be used as a car park facility and a first basement to be fully utilized commercially, followed by the ground floor and six floors of retail shops, restaurants, coffee shops, entertainment activities, cinemas and a health club.

The project consists of several buildings to be used as car parks, including those constructed on the company's land and those built on the surrounding state lands; exceeding 2,000 parking spaces for public use.

The hotel consists of 11 floors located above the commercial part with 164 suites with their services of restaurants, multi-purpose halls, including an on-site health club.

The landmark office tower appears quite separate from the curving walls of the retail complex, yet, from afar, identifies seamlessly with the complex. The design of this single-aspect office space captures sea views to the north and is protected against southwest sunlight by the building core. The offices are housed in a dedicated office tower with an area of 1,746 m^2 that comprises a ground floor, and 54 floors to be fully utilized as commercial offices. The full rental area will be approximately 59,700 m^2 with an average rental area for each single floor ranging between 1,150 to 1,350 m^2.

The strategic plans for the completion of the project have been started on each stage of construction and completion according to a precise time schedule that outlines the full execution stages of all parts of the project and its components with high professionalism and in a logical manner to ensure completion by the scheduled time with minimum delay.

The marketing and leasing efforts for the project have started with the assistance of several international brands and companies with the focus on medium and small rental areas. This was done by signing formal agreements with many companies both locally and internationally, including agreements with the following prestigious names: Zara, Monoprix, Cinescape, IKEA Boutique, National Geographic Ultimate Explorer, UFC GYM, Xcite, Sky Zone and Play, to name a few.

The total leased area until the end of 2020 was 58,630 m^2 representing 82% of the total rentable area. It is worth mentioning that the project has already undergone implementation. The company is currently in the process of receiving and evaluating all the requests for the medium and small rentable areas.

Despite the challenges faced as a result of the Covid-19 pandemic, the project is running on time according to the revised schedule. Every effort was made to ensure adherence to the timeline in the safest and most efficient manner. This schedule was revised to enhance the overall mall experience and meet all perspectives of the tenants' requirements. During 2020, construction works were truly expedited and the project is on track for completion of the Assima Mall by the second half of 2021.

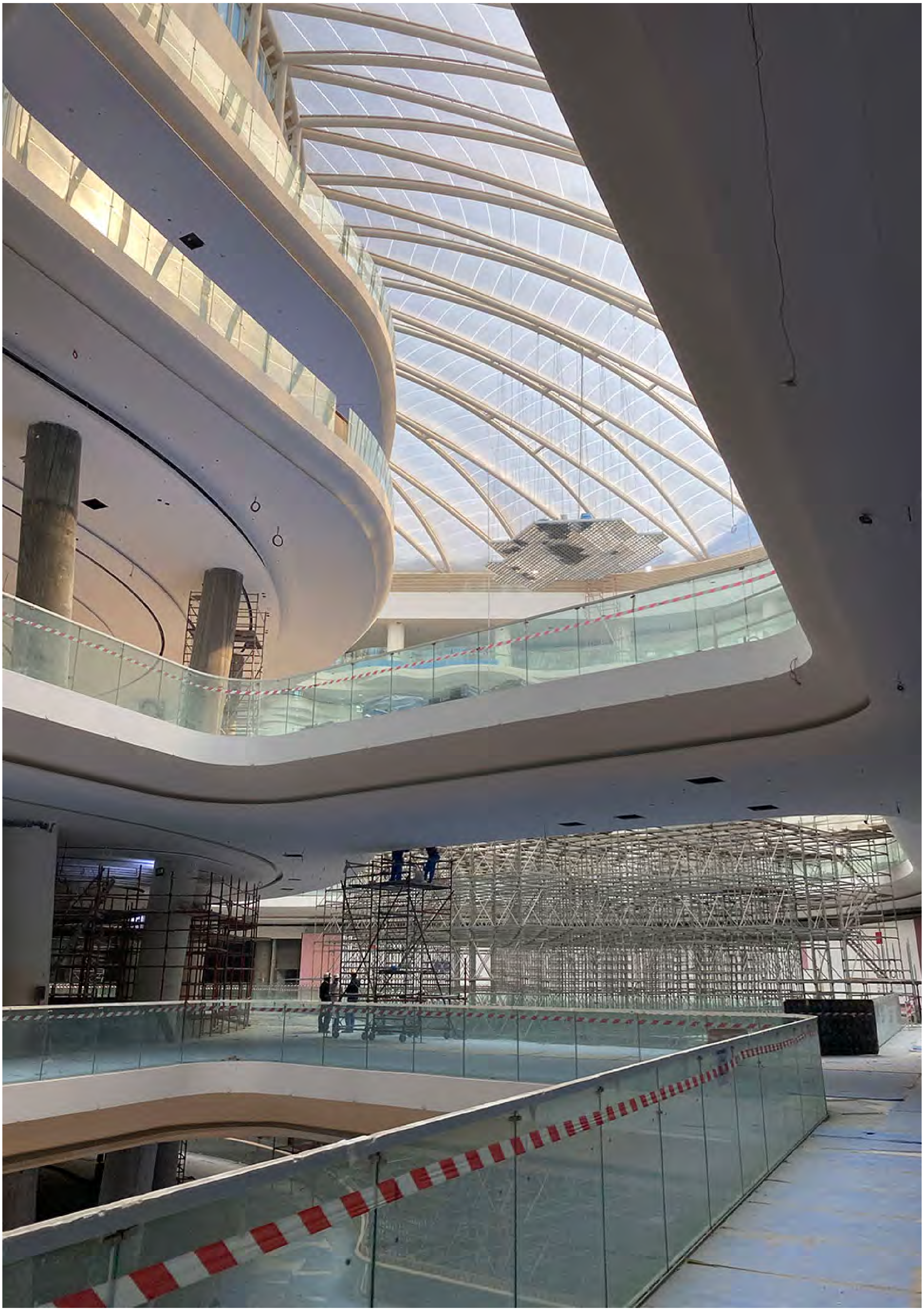
Salhia International Entertainment Centers Company K.S.C

To enrich the entertainment mix of the Assima project, Salhia Real Estate Company has established an affiliated Kuwaiti Company, Salhia International Entertainment Centers Company in collaboration with National Geographic Partners to develop the first National Geographic branded family entertainment center in Kuwait - The National Geographic Ultimate Explorer Kuwait (NGUX).

Spanning over 5,000 m^2 in size, NGUX family entertainment center offers its visitors interactive experiences which simulate the world around them, from the deepest depths of the ocean to the far reaches of outer space. NGUX aims to inspire every child to become the next generation of scientists, engineers, astronauts, biologists, oceanographers, thinkers, and explorers. Geared primarily towards kids aged 4-12 and their families, NGUX will inspire kids to go further and explore the world around them.

National Geographic Partners LLC, a joint venture between The Walt Disney Company and National Geographic, is committed to providing the ultimate edutainment (entertainment and education) services in an innovative, creative, and interactive way.

The project aims to provide an attractive and entertaining atmosphere for the families visiting Assima Mall and will also increase the overall mall footfall through exclusive offerings and enjoyable experiences. It will be operated by a qualified in-house team of professionals experienced in managing modern entertainment centers.



REPORT OF THE
BOARD OF DIRECTORS

Foreign Investments

Key Property Investments (KPI)

2020 will be remembered mostly for the impact of the worldwide Corona virus pandemic, otherwise referred to as Covid-19. Every country in the world has had to, and is continuing to, handle the impact of the pandemic and this has been done in a number of different ways.

The UK was hit particularly hard by the government imposed lockdown measures, a 9 week period between March and May 2020, taken to contain the spread of Covid-19. Between Q4 2019 and Q2 2020, gross domestic product (GDP) in the UK fell over 20%, twice as much as Germany and considerably more than Italy and France. This partly reflects timing, with the UK entering and leaving lockdown later than its European neighbors, but it also shows differences in the measurement of government consumption on GDP.

Despite Q2 having the largest quarterly contraction on record, following the lifting of the first lockdown restrictions, the UK recovery was stronger than expected. Between April and September, the UK economy recovered over 15% of GDP, which was around 9% below the pre-pandemic levels. However, the sectoral picture remained uneven with many sectors still some way below their February levels of output in August. The second lockdown in November 2020 has also had an inevitable impact.

UK Commercial investment volumes reached £7.2 billion in Q3, 55% up from what they were in Q2 (lowest ever recorded) but this still only equated to around 50% compared to past years. Although shopping centres and retail yields have suffered, other sectors have generally remained firm, with limited changes.

There is still uncertainty about the outcome of Brexit. Final terms have yet to be settled and trade agreements are outstanding. Combined with Covid-19, the impact on the commercial property markets in the UK in 2021 is unknown. To some extent, all of this is being factored in by the markets and businesses but the true impact remains uncertain.

The KPI portfolio has been affected in the same way as all other properties, with the impact of Covid-19 and, to a lesser extent, Brexit, causing delay rather than change. There is continued pressure on valuation figures but the overall position of the portfolio remains strong.

BEORMA QUARTER

Birmingham city is a major international commercial centre and is a major transport, retail, event and conference hub. Its metropolitan economy is the second largest in the United Kingdom and is now dominated by the service sector.

Major infrastructure investment continues to transform the city's economy. The government has now given the go ahead to HS2, the high speed rail link between London and Birmingham (and, eventually, Manchester and Leeds). Curzon Street station, Birmingham's HS2 station, will be situated only a few minutes' walk from the Beorma Quarter. Other important infrastructure projects include the Midland Metro, an established and expanding tramlink through the city, and Sprint – the creation of 7 new major bus routes, both of which will serve the city and surrounding areas.

The UK government, like all governments around the world, has been seeking to minimize the rapid spread of the pandemic. This has had a significant impact on the UK economy. The pandemic will also have affected values overall due and, to a certain extent, lack of evidence from letting and transactional deals.

Whilst the government has encouraged working from home, offices still remain the main centre with benefits to productivity in collaboration and sharing of ideas, business functionality, communication and social interaction. Beorma is well placed to adjust to any new working norms which will evolve over the coming months.

As the Beorma Quarter project gears up for construction of the main tower, focus is on value engineering and ensuring maximization. There has been continued take up in the commercial lettings market, with the supply of Grade A space being reduced accordingly. There is continuing demand and this may increase as a result of 'decentralization' from London. Prime rents have increased during 2020 due to lack of supply.

The city centre also continues to grow as a desirable place to live, especially over the past couple of years. Birmingham is currently enjoying a higher than UK average growth in residential values and the residential market in Birmingham remains strong. This bodes well for the sale of the 124 units in the Tower.

Lolworth Developments Ltd

Lolworth Developments Ltd, a joint venture between Salhia Real Estate Company (K.S.C.) and Simons Developments Ltd, was established to acquire an interest in 100 hectares (one million m^2) of land and to seek planning permission for a mixed use and predominantly logistics warehouse development at Bar Hill, Cambridgeshire. Bar Hill is situated within the East Midlands and will serve Cambridge and the UK.

The Cambridge area's industrial and logistics market is small relative to the buoyant local office / research & development market, and is characterized by a severe lack of stock. There is positive demand; In Cambridge City itself, industrial development is unlikely, the industrial stock will continue to shrink but as the Cambridge economy grows even further, the City will need additional space. Major occupiers such as AstraZeneca, GSK, ARM and others on the business parks surrounding Cambridge will need a supply chain which will require services.

The Bar Hill site benefits from top quality operational connections and is very well located on the important A14 dual carriageway, linking the A1(M) and M11 Motorways and directly to the M25 London Orbital and M1 & M6 motorways. This enables direct access to major ports and all parts of the UK within a 4 hour drive time. The project will enable the construction of a range of buildings able to satisfy the wide ranging demand criteria of tenants and occupiers. Its' location also offers high quality walking, cycling and bus links to local residential areas, making it an ideal employment location.

In terms of demand and supply, the UK Logistics market reached a new quarterly record high take up of over 1.2 million m^2 in Q3 2020, with a current year take up of nearly 3 million m^2. Over half of the floor space taken up in Q3 was for units over 46,500 m^2 with an average take up size of 33,000 m^2. This is leading to an increase in speculative construction as developers try to satisfy demand. The East Midlands (including the Cambridgeshire area) is one of the areas to have benefitted most significantly.

The Bar Hill site requires planning permission and the planning process involves a significant amount of due diligence and site investigation before an application can be submitted to ensure success. All initial reports and investigations are very encouraging and this will continue to evolve through 2021. It is important for the site to demonstrate compliance with a wide range of planning requirements including sustainability, bio-diversity and employment criteria, all of which the site is able to satisfy.

Wilford Lane Developments Ltd

In the latter part of 2018, Salhia Real Estate Company established a joint venture with Simons Developments Ltd, to acquire a 4.5 hectare (45,000 m^2) vacant site in a largely residential area just south of Nottingham. The purpose was to obtain planning permission and either develop or sell the land with the benefit of the planning permission.

Wilford Lane Developments has now obtained planning permission to develop a total of around 4,000 m^2 of retail and ancillary uses in 6 units, of which 3,280 m^2 is pre-let. Planning permission has also been granted for 267 residential apartments on the balance of 2 hectares (20,000 m^2).
Terms have been agreed for the onward sale of both the commercial and residential elements of the site.

Salhia in Germany Haddia Holding Company

Salhia Real Estate Company has finalized a deal selling 90% of its stake in Haddia Holding Company in the Republic of Germany. Salhia Real Estate Company owned 90.89% of Haddia which in turn owns a number of the finest properties that provide healthcare and housing services to the elderly and retirees). The total value of the deal accounted for 81.8 million Euros, equivalent to approximately 28 million Kuwaiti Dinar, while the company's profits reached approximately 21.8 million Kuwaiti Dinar, indicating the company's success in completing the deal during this period, that had witnessed many negative repercussions imposed by the emerging Covid-19 pandemic on most economic sectors, especially the real estate sector in most countries of the world.

Salhia Real Estate Company's stake in Haddia Holding Company started as an investment in the Republic of Germany in this field many years ago, after the company's management adopted a new strategy represented in diversifying its investments inside and outside the State of Kuwait. The focus was on investing in countries such as Germany, Great Britain and the United States of America that have strong markets and robust economies that enjoy stability and acceptable levels of risk.

In 1993, Salhia Real Estate Company along with other investors, purchased a real estate portfolio of 7 buildings in the German cities of Hanover and Bad Pyrmont, for a total value of about 100 million German Marks at the time, through self-financing and a loan from a German bank. The main objective of this deal was to lease these properties without the management and operation process, as these buildings are specially designed to serve health care and housing for the elderly and retirees, whether in the form of rooms or apartments designated for those needs. Managing the operational works of those buildings was not very difficult for Salhia Real Estate Company due to its expertise in the field of investment and real estate leasing, but the desire was to avoid entering into operational, administrative and legal details regarding the management of such activity in the Republic of Germany. After a short period of time, other shareholders exited from investing in the project, and the ownership of Salhia Real Estate Company in Haddia Holding Company increased to 90.89%.

With the passage of time, the management of the German Company (Haddia Holding) was able to master that experience and achieve excellent results for consecutive years, as the operating ratios were not less than 98%, while the return was about 22% on the capital. This success encouraged the Company's management to prepare extensive studies to increase the volume of investment in this field, thus doubling the number of rooms and apartments owned and available for operation in the same activity to reach 1,600 units. Those studies were submitted to the Board of Directors, which welcomed this, and the Company was already able to obtain credit facilities from German banks with the aim of expansion in this area, through the purchase and construction of new residential buildings to reach this large number of operable units.

Haddia Holding Company, during the years of its work, was committed to the company's management plans for expansion and development, through direct ownership or purchase of lands and construction of buildings with an architectural style and beautiful geographical locations, most notably the project located in the resort of Neustadt on the Baltic Sea. In addition to that, the operations have developed in Haddia Holding Company until, in recent years, they reached advanced and innovative stages, in which new products were developed that met the various demands and market needs in this field. The Company introduced mobile and home care services, and a new and innovative concept, "Dana Lifestyle", which is the creation of residential buildings for the elderly and retirees, characterized by speed of achievement, reasonable prices and at the same time providing the utmost in elderly care. Two properties have been constructed with this concept located in distinct locations with the addition of the option of leasing or ownership.

The development and expansion plans resulted in continued success in this investment and the classification of its properties as "the best friend of the client" according to the law on transparency towards nursing homes in Germany, and the company's properties have also received many of the best ratings within the classification system set by health insurance companies.

The success of this investment was excellent, as it witnessed unrivaled levels of stability that were still evident in spite of the mortgage crisis, unlike other investment sectors that were severely affected during the years of that crisis. This stability was reflected in the occupancy rates that exceeded 90% during successive years, with the increase in the number of the company's buildings to 17, with an estimated capacity of 1,614 beds, (consisting of apartments and studios) and served by 950 qualified and highly trained employees.

Finally, after the management of Salhia Real Estate Company studied the current situation of the Company's investment in the healthcare market for the elderly in Germany, and with the large volume of real estate assets and the increase of their market value, and the operational profits of this investment reached a peak, it was agreed to liquidate this investment based on the profits that have been achieved during the past years. This was done with the aim of finding alternatives that achieve higher returns and profits that do not deviate from the company's main activity in the real estate sector, which is undertaken according to the aspirations of Salhia Real Estate Company and its strategy in developing its internal and external investments to preserve the strength of its brand and its financial position.

Accordingly, the company stopped consolidating the data of Haddia Holding Company within the consolidated financial statements of Salhia Real Estate Company, and then the company paid the bank financing amount of 28 million KD granted to Salhia Real Estate Company and the subsidiary, Assima Real Estate Company, which contributed to reducing the total liabilities in the financial position statement of the company for the same amount.

INFORMATION TECHNOLOGY

With the assistance of a highly qualified and trained team of IT professionals equipped with the latest knowledge in technology, Salhia Real Estate Company utilizes sophisticated IT systems to accommodate all aspects of its business and development needs.

The IT department is working closely with the Assima team and the main contractor to review and finalize the installation and setup of the network infrastructure, the Oracle system, and all other services required for Assima's technological deployments.

The IT department also assisted in implementing the infrastructure of the new parking system that features the latest methods of automation in all the company's facilities.

HUMAN RESOURCES

Based on the core belief of Salhia Real Estate Company, in the importance of human capital as the main source of success in the organization, the company continues its efforts to invest in human resources by providing dedicated training courses and workshops that boost overall employee performance and morale.

The company is very keen on its' manpower selection process according to the latest standards and principles that addresses its evolving needs. The company also undertakes extensive social corporate responsibility initiatives and projects that benefit the community, its employees, and the youth of today. This is in line with Salhia Real Estate Company's mission and values to continually strive to promote corporate citizenship and uphold respect: for our clients, our employees, our shareholders, our partners and the environment.

The Human Resources Group has completed the workforce plan and organizational structure for the Assima Mall, so as to be ready and on time to provide the required skillsets to successfully meet all the main requirements of the project and ensure the smooth and effective commencement and operation of the mall, in every aspect.

TREASURY MANAGEMENT

The Treasury Management department overlooks the collection of all Salhia Real Estate Company's revenue, whether in the form of cash, checks, or bank transfers. The department is tasked with the preparation and processing of daily collection and deposit reports and consequently generating the management reports for all the Company's cash flows. The Treasury Management department also supervises the parking facilities at all the premises administratively, financially and technically to ensure the quality of the entry and exit process for all visitors and tenants.

The department ensures compliance with the application of modern management standards in line with deploying the latest in technological advancements allowing for more efficient systems at all levels. The administration recently renewed and modernized the parking systems in Salhia complex and Arraya Centre to depart from the conventional and manual system and adopt a more robust smart system. This has resulted in a reduction of human intervention by adding an automated guidance system and an automatic identification system for car license plates, as well as introducing online payment systems for the parking.

Finally, a contract was signed with "Mawqif" application service, a local applications provider that specializes in facilitating the entry and exit of parking lots by identifying car license plates and entrance tickets and deducting payments from online subscriber accounts

In line with the instructions of social distancing that came forth as a result of the proliferating Covid-19 pandemic, as well as to reduce the cash collection process due to the high risks it entails, and to expedite and facilitate the process for the tenants, a new Quick Pay payment service was introduced allowing tenants to pay their dues directly through an online link.

CORPORATE GOVERNANCE REPORT
SALHIA REAL ESTATE COMPANY K.S.C.P.

Composition of the Board of Directors:

The Board of Directors of Salhia Real Estate Company has 8 members, as shown below:

Name	Member Classification (Executive/Non-Executive/Independent/ Secretary)	Date of Election / Appointment
Ghazi Fahad Alnafisi Chairman	Non-Executive	11/3/2019
Faisal Abdulmohsen Al Khatrash Vice Chairman	Non-Executive	11/3/2019
Anwar Abdulaziz Al Usaimi Board Member Chief Executive Officer	Executive	11/3/2019
Abdulaziz Ghazi Alnafisi Board Member Deputy Chief Executive Officer	Executive	11/3/2019
Youssef Essa Al Othman Board Member	Non-Executive	11/3/2019
Abdulrahman Abdulaziz Al Babtain Board Member	Independent	11/3/2019
Marzouk Fajhan Al Mutairi Board Member	Independent	11/3/2019
Saud Ahmad Al Zabin Board Member	Non-Executive	11/3/2019
Mohammad Khalil Al Musaibeeh	Secretary	12/5/2014

Qualifications and Experience of Salhia Real Estate Company's Board Members:

Mr. Ghazi Fahad Alnafisi
Chairman

Mr. Ghazi Alnafisi is a founding member of Salhia Real Estate Company since its incorporation back in 1974. He is a holder of an Aviation Engineering Diploma from (Chelsea College for Aeronautical Engineering – London) Britain, June 1965. His tenure in the function of Salhia Real Estate Company Chairman was renewed on 11/3/2019 and he is currently the Chairman of the Board Executive Committee. Mr. Ghazi Alnafisi has chaired the Board of Directors of The Kuwait Hotel Owners Association from 1979 to date. He is a founding member of the Petroleum Independent Group, founded in 1975, where he holds the position of Deputy Chairman. In 2017, Mr. Ghazi Alnafisi was appointed the CEO of Assima Real Estate Company. His experience includes working in many companies, including Azzad Trading Group Company, where he has held the position of Chairman since 1994. In addiition to that he has held the post of Chairman of Gulf Investment Company – Bahrain, and Chairman and Managing Director of National Investments Company – Kuwait, from 1986 to 1996. Mr. Ghazi Alnafisi was a member of the Board of Directors of Kuwait National Petroleum Company (KNPC) from 1971 to 1976. He has also held several key positions in Kuwait Aviation Fueling Company from 1967 to 1976.

Mr. Faisal Abdulmohsen Al Khatrash
Vice Chairman

Mr. Faisal Al Khatrash currently holds the position of Deputy Chairman of Salhia Real Estate Company since 1981. His tenure was renewed during the last elections of the Board of Directors on 11/3/2019.

Mr. Faisal Al Khatrash holds a Bachelor of Military Sciences which he acquired in 1967. He worked as an Officer in the Kuwait Army until 1974. He held the position of Vice Chairman of The International Investor Company since 2003. His experience includes positions in several corporations in Kuwait, including being the Vice Chairman of Kuwait Finance House from 1982 to 1993. In addition to that, he has held the position of Managing Director of Kuwait Foreign Trading, Contracting and Investment Company from 1974 to 1982.

Mr.Anwar Abdulaziz Al Usaimi
Board Member (CEO)

Mr. Anwar Al Usaimi joined the Board of Directors of Salhia Real Estate Company in 1981. He has held the position of CEO of the Company from 1997 to date. He was re-elected to the Board membership on 11/3/2019. Furthermore, he is currently a member of the Company's Nominations and Remunerations Committee and the Board Executive Committee.

Mr. Anwar Al Usaimi has a Bachelor of Administrative Sciences degree from the USA (Emporia Kansas State College) that he attained in 1976, and has extensive experience in the banking, financial and administration sectors inside and outside of Kuwait. He currently holds the position of Chairman of Assima Real Estate Company and is a member of the Board of Directors of Haddia Holding GmbH (Germany) and KPI Company (UK). Furthermore, he is a member of the Board of Directors of several companies and banks in Kuwait, including The Commercial Bank of Kuwait, the International Investor Company, and he was the Deputy to the Chairman and Managing Director of Pearl of Kuwait Real Estate Company and Vice Chairman of the Board of Directors in the Kuwait Lebanese Real Estate Development Company

Mr. Abdulaziz Ghazi Alnafisi
Board Member (Deputy CEO)

Mr. Abdulaziz Alnafisi joined the Board of Directors of Salhia Real Estate Company in 2006. He currently holds the position of Deputy CEO of the Company, and was re-elected to the Board membership on 11/3/2019, where he is currently a member of the Board Executive Committee.

Mr. Abdulaziz Alnafisi holds a Master's degree in Business Administration from the United Kingdom (City University – London) which he acquired in 2002. He received his Bachelor's in Accounting and International Relations from the USA (Northeastern University – Boston, MA) in 1997. He is the Chairman of Kuwait Packing Materials Manufacturing Company and the Deputy Chairman of the Assima Real Estate Company as well as the Vice Chairman of Salhia International Entertainment Centers. Furthermore, he is a Co-Founding Partner and Board Member in Cross Bridge Capital Limited (London, UK).

Mr. Youssef Essa Al Othman
Board Member

Mr. Youssef Al Othman joined the Board of Directors of Salhia Real Estate Company in 1992. He was re-elected to the Board membership on 11/3/2019. He currently chairs the Risk Management and Internal Auditing Committee and the Nominations and Remunerations Committee in the Company.

Mr. Youssef Al Othman holds a Bachelor's degree in Business Administration from Kuwait University that he obtained in 1975. He holds several certificates, scientific and professional courses in the field of administration from institutions inside and outside of Kuwait. He is currently the Chairman and CEO of Al Bustan Real Estate Company and Al-Mirror Holding Company, as well as the General Manager of both Al Othman and Al Zamel General Trading & Contracting Company and Essa Al Othman General Trading & Contracting Company.

Mr. Abdulrahman Abdulaziz Al Babtain
Board Member

Mr. Abdulrahman Al Babtain joined the Board of Directors of Salhia Real Estate Company in 2010. He was re-elected to the Board on 11/3/2019 and currently is a member of the Risk Management and Internal Auditing Committee of the Company.

Mr. Abdulrahman Al Babtain received his Bachelor's in Business Administration from Kuwait University in 1990. He is the Deputy Chairman of Abdulaziz Saud Al Babtain Company, and a member of the Board of Directors of Murabhat Investment Company. Earlier, he held the position of Assistant Manager in Gulf Investment Corporation between 1993 to 1998, and before that, he was a member of the Board of Directors of Gulf Franchising Company and Safat Dairy Company.

Mr. Marzouk Fajhan Al Mutairi
Board Member

Mr. Marzouk Al Mutari joined Salhia Real Estate Company's Board of Directors in 2002. He was re-elected to the Board on 11/3/2019 and is currently a member in the Company's Nominations and Remunerations and the Risk Management and Internal Audit Committees.

Mr. Marzouk Al Mutari holds a Bachelor of Accounting from the USA (University of Central Flordia) which he received in 1996. He is currently the Chairman of the Board of Directors of Tharwa Investment Company since 2013. Furthermore, he was a Board Member of the First Investment Company in 2004 and 2014, and a Board Member of the Livestock Transport and Trading Company from 2004 to 2013. Mr. Marzouk has extensive financial and investment experience in forming and managing investment portfolios. He has also contributed in founding Markaz Real Estate Fund.

Mr. Saud Ahmad Al Zabin
Board Member

Mr. Saud Al Zabin joined the Board of Directors of Salhia Real Estate Company in 2013. He was re-elected to the membership of the Board on 11/3/2019.

He has a Bachelor of Economics degree from the USA (Old Dominion University). He held several positions during his tenure in Zain Telecommunication Company from 2005 to 2013. Currently, he is the Chairman of the Board of Directors of Overseas Links Company since 2013. He was also on the Board of Directors of two companies in Egypt.

Mr. Mohammad Khalil Al Musaibeeh
Board Secretary

Mr. Mohammad Al Musaibeeh joined Salhia Real Estate Company in 1998. He was appointed Secretary of the Board of Directors on 12/5/2014, and held the post of the Board Secretary prior to that.

He has a Bachelor of Accounting degree from Egypt (Cairo University) which he received in 1998. In addition to that, he has obtained several professional certificates, including: ABA – CIDA – CTA – CST, and currently holds the position of Assistant Finance, Accounting & HR Group Head in Salhia Real Estate Company. He is also a member of the Board of Directors of the Assima Real Estate Company and Salhia International Entertainment Centers. Mr. Mohammed Al Musaibeeh has attended numerous courses in accounting, finance, auditing and investments. He was a member of many committees in the Kuwait Accountants and Auditors Society, where he was a member of the Society's Board of Directors from 2011 to 2014. He was a member of the Standing Technical Committee for Laying Down Accounting Rules and Auditing Charts in the Ministry of Commerce and Industry, as a representative of the Kuwait Accountants and Auditors Society.

Members' Attendance of the Board Meetings

The Board of Directors of Salhia Real Estate Company held 7 meetings during the year 2020, of which one meeting was held by circulation. The following table illustrates the details of those meetings and the number of meetings attended by each member.

	Meeting No.1/2020 dated 12/2/2020	Meeting by circulation dated 16/3/2020	Meeting No.2/2020 dated 26/4/2020	Meeting No.3/2020 dated 7/6/2020	Meeting No.4/2020 dated 13/8/2020	Meeting No.5/2020 dated 3/11/2020	Meeting No.6/2020 Dated 13/12/2020	Number of meetings
Ghazi Alnafisi Chairman	✓	✓	✓	✓	✓	✓	✓	7
Faisal Al Khatrash Vice Chairman	✓	✓	✓	✓	✓	✓	✓	7
Anwar Al Usaimi Member	✓	✓	✓	✓	✓	✓	✓	7
Abdulaziz Alnafisi Member	✓	✓	✓	✓	✓	✓	✓	7
Youssef Al Othman Member	✓	✓	✓	✓	✓	✓	✓	7
Abdulraman Al Babtain Independent Member	✓	✓	✓	✓	✓	✓	✓	7
Marzouq Al Mutairi Independent Member	✓	✓	✓	✓	✓	✓	✓	7
Saud Al Zabin Member	✓	✓	✓	✓	x	✓	✓	6

* If the Board Member attended the meeting, a check mark ✓ has been inserted.

Recording, Coordinating and Keeping Minutes of the Board of Directors Meetings

The Secretary to the Board of Directors has prepared a special register for the minutes of the meetings of the Board of Directors of Salhia Real Estate Company and records for the minutes of the meetings of the Risk Management and Auditing, Nominations and Remunerations Committee and the Board Executive Committee. Each register contains information on the agenda of the meeting, the date, venue, as well as the starting and ending times. Each meeting has a serial number according to the year. Additionally, special files are prepared in which the minutes of the meetings are kept recording the deliberations and discussions covered in the meetings. Members of the Board and Committees are provided with the agenda, and supported with the relevant documents in advance, in order to allow them to prepare and study the items for discussion. The minutes of the meeting are signed by all those present. The Secretary's role entails coordinating and distributing the information amongst the members and other shareholders.

Company Board of Directors Working Manual

The Company Board of Directors' Working Manual stipulates that the Company's Board assumes the comprehensive responsibilities for Salhia Real Estate Company, including laying down the Company's strategic objectives, risk strategy, governance criteria, supervision responsibility over the Executive Management, safeguarding the interests of shareholders, creditors, personnel and all stakeholders, and for the purpose of ensuring that the Company's management is carried out wisely and under the framework of the applicable laws and effective instructions of the regulatory bodies, Articles of Association, internal rules and policies of the Company. The following is a brief on the general duties of the Board of Directors:

- The Board of Directors of Salhia Real Estate Company assumes all the required powers and authorities for management of the Company without exceeding the General Assembly's terms of reference. The Board's responsibility covers all the committees emanating from the Board, which implies the Board's responsibility in preparing the Annual Report that is shared in the Annual General Assembly meeting of the Company. The Annual Report comprises all the information and data concerned with the Company's business, financial position, results of its works and extent of compliance with the governance rules.

- The Board of Directors performs its duties with responsibility, good faith, seriousness and diligence. Its decisions are based on adequate information from the Executive Management or any other reliable source. The Board is entitled to issue delegations for a number of its terms of reference without such authorizations being general or for unspecified periods. The Board's responsibility shall remain in effect on any authorization issued by it.

- The Executive Management provides to the existing and potential shareholders and the investment community all the information relevant to the Company's activities and most significant developments, and verifies that the Annual Report and financial reports published and forwarded to the shareholders reflect the real conditions of the Company.

- The Board Member is a representative of all shareholders and acts to achieve the general interest of the Company and its shareholders.

Policies and Procedures Regulating the Executive Management Members' Work

The Board of Directors approves the policies and procedures manual regulating work for all the departments and executive groups within the Company. Every work manual lists all the duties to be carried out by each Executive Department in a detailed manner according to the strategic objectives laid down by the Board of Directors and the Company's internal regulations. Furthermore, such policies clarify all the obligations shouldered by the Executive Management and CEO in light of the responsibilities entrusted to them by the Company's Board of Directors.

Company Board of Directors' Achievements During 2020

Salhia Real Estate Company's Board of Directors is keen on following up on the implementation of the strategic objectives and plans it laid down, and interacts continuously with the Executive Management in order to achieve these objectives. The Board also places a high value on the corporate governance criteria, not only for executing the required procedures, but also in view of the need to make this criteria a standard working method and strategy within the Company. During the past year, a number of achievements were attained by the Board. The following is a brief on the most significant of these achievements:

1. Approving the Annual Report of (corporate governance, Remuneration, audit committee, social responsibility) of Salhia Real Estate Company.
2. Periodically revising the Company's budget and comparing it with the financial statements issued for the different periods.
3. Approving the interim and annual financial statements of Salhia Real Estate Company.
4. Following up on all the legal cases of the Company and meeting with the legal advisors of the Company to be up-to-date on the status of all cases.
5. Supervising the evaluation of the performance of the law offices and external legal consultants of Salhia Real Estate Company, adopting the results of the evaluation and approving the necessary recommendations.
6. Adopting the policies and procedures that complement corporate governance and regulatory compliance, and adopting amendments on certain policies and procedures previously approved by the Board of Directors of Salhia Real Estate Company.
7. Approving the reappointment of the external auditor of the Company to be M/s. Al Aiban and Al Osaimi "Ernst and Young."
8. Reviewing the management's proposal regarding the success in supporting the Company's shares and increase in trading volume on the Kuwait Stock Exchange during the past year, and achieving an increase in the share market value by the end of the year.
9. Discussing the successive repercussions of

the spread of the Covid-19 pandemic, and the decisions issued by government bodies in this regard, and their impact on the efficiency of work within the Company and the ability to conduct administrative, operational and technical work on the Company's local projects and foreign investments.

10. Reviewing the details of the deal for selling 90% of the Company's investment in Haddia Holding GmbH in Germany.
11. Reviewing the decision to pay off bank financing worth KD 28 million of Salhia Real Estate Company and the subsidiary Assima Real Estate Company, and the effect of this on reducing the financing costs paid and the total liabilities in the consolidated balance sheet of the Company.
12. Approving the plan for the renovation work for Salhia Commercial Complex and the required modifications to the JW Marriott Hotel building.
13. Discussing and following up on the latest developments in the Assima Project, including the latest internal and external finishing works, and the development of the leasing efforts in the commercial component of the project.
14. Approving the banking facilities and joint guarantees necessary for the establishment of the Assima Project.
15. Approving the amendment of some credit facilities signed with banks and extending the withdrawal and payment periods, as well as authorizing the Chairman and his Deputy to sign on behalf of the Company in matters of loans, mortgage and sale of the Company's real estate and assets.
16. Supporting the Company's management strategy in achieving the required liquidity volume on the Company's shares trading on the Kuwait Stock Exchange.
17. Adopting the Integrated Report on the activities of Salhia Real Estate Company.
18. Holding periodic meetings with the Risk Management Department staff and the consultancy office to discuss the results of the assessment stages of the risk management in the Company.
19. Adopting follow-up procedures for acceptable risk management of Salhia Real Estate Company.
20. Overseeing the implementation of corporate governance rules and internal control procedures efficiently in the Company.
21. Reviewing the recommendations issued by the Audit Committee, based on the results of the discussion of internal audit reports, and the summary of the results of the Committee's work.
22. Reviewing the reports and recommendations issued by the Nominations and Remunerations Committee, and supervising the Committee's work in connection with the annual evaluation process of members of the Board of Directors and the Executive Management.
23. Approving the minutes of meetings and decisions issued by the Executive Committee relating to the activities of the Company's departments.

Committees Emanating from the Board of Directors

The Board of Directors of Salhia Real Estate Company formed the required number of specialized committees according to the corporate governance rules issued by the Capital Markets Authority. The Board performs its work duties supported with three basic committees. The following is a description of these committees:

First: Risks Management and Internal Auditing Committee

Committee Tasks

After obtaining the approval of the Capital Markets Authority, the Risk Management and Internal Auditing Committees were merged into one committee. The Board approved the internal regulation of the committee, in which it outlined the terms of reference, objectives and responsibilities of the committee. The Risk Management and Internal Auditing Committee works to establish the culture of compliance and foster the efficiency of performance in the Company, by analyzing the nature and volume of risks facing the Company's activities in order to limit them as much as possible, and ensure the soundness and integrity of the financial reports and the applicable internal control systems.

Committee composition:

The Board of Directors shall form the Risk Management and Internal Audit Committee so that the number of its members shall not be less than three, and at least one of its members shall be an independent member. Membership in the Committee shall not be held by the Chairman of the Board or by a member of the Executive Management. The members of the Committee must possess the academic qualifications and appropriate practical experience for the work of the Committee, and must be familiar with the necessary financial, accounting and administrative

aspects of the Company.
The Board of Directors shall determine the term of membership of the members of the Committee and its method of work so as the term of office of the members of the Committee shall expire on the expiry of their membership in the Board of Directors.

Composition date	Members of the Risk Management and Internal Auditing Committee		
11/3/2019	Salhia Company Board Member (Non-Executive)	Mr. Youssef Essa Al Othman	Committee Chairman (Non-Executive)
11/3/2019	Salhia Company Board Member (Independent)	Mr. Marzouk Fajhan Al Mutairi	Committee Member (Independent)
11/3/2019	Salhia Company Board Member (Independent)	Mr. Abdulrahman Abdulaziz Al Babtain	Committee Member (Independent)

The Committee held 8 meetings during the year 2020. The following are its most prominent achievements::

1. Approving the annual internal audit plan for the Company's departments and functions during the year.
2. Reviewing the annual and quarterly financial statements of Salhia Real Estate Company, and any discussions with the External Auditor in this respect.
3. Reviewing the Internal Auditor's reports on the Company functions and departments, and addressing the remarks set forth in such reports.
4. Recommending the reappointment of the External Auditor for the Company and nomination of M/s Al Aiban and Al Osaimi Office "Ernst & Young".
5. Approving the annual performance evaluation of the Company's internal and external auditors.
6. Approving the Internal Control Regulations (ICR) assessment and revision for the company.
7. Discussing the report on monitoring the risk management business of Salhia Real Estate Company, which is prepared by an independent consultancy office.
8. Periodically discussing the records of review of the Company's risk management procedures.
9. Reviewing the summary of lawsuits and legal issues for Salhia Real Estate Company.
10. Periodically evaluating meetings that discuss any of the Internal Auditor's reports.
11. Preparing the annual report on the Committee activity, and approving the same as part of the items of the Company's Annual General Assembly Meeting.

Second: Nominations and Remunerations Committee

Salhia Real Estate Company's Board of Directors approved the composition of the Nominations and Remunerations Committee according to the regulatory requirements. The Board approved its internal regulation in which it outlined the committee's terms of reference, objectives and responsibilities, which aim to foster the efficiency of work and production through contribution in the selection of the required competences for the Board of Directors and Executive Management, and submit the recommendations to the Board of Directors in connection with the required skills and experiences in line with achieving the Company's vision and objectives and protecting the interests of shareholders and investors. The committee also prepares the recommendations in connection with the development of the policies for granting remunerations and compensations to the Board Members and Senior Executives in the Company.

Committee Composition
The Board of Directors shall form the Nomination and Remuneration Committee of at least three members, provided that at least one of its members shall be an independent member, the Chairman of the Committee shall be a Non-Executive member of the Board of Directors, and the Chairman of the Board of Directors of the Company may not be a member of this Committee. The members of the Committee

must have adequate educational qualifications and sufficient knowledge of the financial and administrative aspects and the nature of the Company's business.
The membership of the Committee members shall be limited to three years or their term on the Board of Directors, whichever is shorter.

Salhia Real Estate Company's Board of Directors approved the composition of the Nominations and Remuneration Committee as follows:

Composition date	Members of the Nominations and Remunerations Committee		
11/3/2019	Salhia Company Board Member (Non Executive)	Mr. Youssef Essa Al Othman	Committee Chairman
11/3/2019	Salhia Company Board Member (CEO)	Mr. Anwar Abdulaziz Al Usaimi	Committee Member
11/3/2019	Salhia Company Board Member (Independent)	Mr. Marzouk Fajhan Al Mutairi	Committee Member

The Committee held 2 meetings during the year 2020. The following are its most prominent achievements:

1. Supervising the annual evaluation process of the members of the Company's Board of Directors, Executive Management and personnel.
2. Adopting the results of the annual evaluation of the performance of the Board of Directors and the Committees of the Board, as well as the performance of the Chief Executive Officer and the Board Secretary.
3. Discussing the remuneration of the Chairman of the Board of Directors, the members and the committees of the Board, and recommending them to the Board of Directors for approval.
4. Making the necessary recommendations to the Board of Directors regarding the remuneration of the Chief Executive Officer, members of the Executive Management and employees of the Company.
5. Preparing an annual report of all the remunerations given within the Company, and approving it within the terms of the Annual General Assembly of the Company.
6. Discussing the vacancy for the position of the Finance, Accounting and Human Resources Group Head in the Company, and approving the nomination and promotion of the Company's Group Accounting Manager as the new Assistant Finance, Accounting and HR Group Head.

Third: Executive Committee of the Board of Directors

The Committee's Duties

The Board of Directors of Salhia Real Estate Company approved the establishment of the Executive Committee of the Board of Directors of the Company. The Board approved the formation of the Committee and its work charter. The Committee was established with the aim of assisting the Board in performing its responsibilities toward the Company's activities and executive departments in various aspects: financial, accounting, management, human resources, investments, property management and construction.
The Board of Directors shall form the Board Executive Committee, by appointing at least three members of the Committee, one of whom shall be a non-executive Board member. The membership of the Committee shall continue for a period of three years or until the end of the membership of the Board of Directors, whichever is shorter.

Committee Composition

The Board of Directors shall form the Board Executive Committee, by appointing at least three members of the Committee, one of whom shall be a non-executive Board member. The membership of the Committee shall continue for a period of three years or until the end of the membership of the Board of Directors, whichever is shorter.

Composition date	Members of the Board Executive Committee		
11/3/2019	Chairman of the Board (Non Executive)	Mr. Ghazi Fahad Alnafisi	Committee Chairman
11/3/2019	Salhia Company Board Member (CEO)	Mr. Anwar Abdulaziz Al Usaimi	Committee Member
11/3/2019	Salhia Board Member (Deputy CEO & Investment Group Head)	Mr. Abdulaziz Ghazi Alnafisi	Committee Member

The Committee held (5) meetings during the year 2020.The following are its most prominent achievements:

1. Approving the rental, renewal, settlement and termination offers and taking the necessary procedures for the lease contracts in the Company's properties during 2020.
2. Adopting the procedures for exempting a number of tenants from paying some monthly rents.
3. Approving the procedures for the Company's hotels during 2020.
4. Approving the results of the annual performance evaluation of non-executive employees in Salhia Real Estate Company.
5. Recommending to the Board of Directors the continuation of providing financial support to the subsidiary Bunyan Salhia Real Estate Company, to continue carrying out its business, and to authorize the Chairman of the Board of Directors to take the necessary measures.
6. Discussing the developments related to the outbreak of the Covid-19 pandemic and its resulting consequences, and reviewing the Company's management procedures to deal with the effects of the spread of this virus on the Company's operational activities.
7. Approving the opening and renewal of a short-term bank deposit account for Salhia Real Estate Company.
8. Approving the signing of a Market Maker Agreement between Salhia Real Estate Company and Tharwa Investment Company.

Mechanism for the Members of Board of Directors in Obtaining Information and Data Accurately and within the Required Timeframe

Salhia Real Estate Company provided the means and tools that enable the Board of Directors to obtain the required information and data in the right time-frame, through the development of an information technology environment, and creating direct communication channels between the Board Members and the Secretary to the Board and providing the necessary reports and topics for discussion in connection with the meetings in advance so that appropriate decisions can be taken in this regard.
Furthermore, the Board of Directors has approved a manual comprising of all the means to obtain information; illustrating all the policies and procedures that allow the Board Members to obtain information properly.

Report on the Remunerations Granted to Members of the Board of Directors and Executive Management

Summary of the Company's Remunerations and Incentives Policy

The remunerations policy adopted by the Board of Directors of the Salhia Real Estate Company reflects the desire to retain the competencies in the Board of Directors, Executive Management and various groups within the Company. This is in addition to providing the necessary incentives to recruit the right competencies in the market, which helps to achieve the best results for the objectives and strategies which the Board of Directors endeavors to execute in the long, medium and short term.

The Company's Nominations and Remunerations Committee operates under the framework of this policy, whereby it recommends the remunerations determined for members of the Board of Directors and the executive management, pursuant to the procedures outlined by the remunerations policy, and based on the Company's performance and success criteria in achieving the objectives and volume of realized profits.

Implementing the Company's Remunerations Policy

The Nominations and Remunerations Committee emanating from the Board of Directors undertakes the management of the process of granting remunerations in the Company, starting with the performance evaluation up to the preparation of the final report on the total granted remunerations, provided that the Board of Directors assumes the full responsibility in taking the final decisions in connection with the approval of all the incentives, allowances and remunerations.

Through the Nominations and Remunerations Committee, the Board of Directors undertakes the periodic review of this policy and follow up on the extent of its efficiency and the need to conduct any amendments on it.

There have been no major deviations or changes to the implementation of remuneration system for 2020 from the policy approved by the Board of Directors.

Disclosures of the Granted Remunerations

The Nominations and Remuneration Committee has prepared a detailed list of all remunerations, benefits and allowances granted to the Chairman of the Board of Directors, Members of the Board of Directors of the Company, and members of the Committees emanating from the Board, namely the Risk Management and Audit Committee, and the Nominations and Remuneration Committee, as well as the CEO, Deputy CEO (Investment Group Head), and the Assistant Finance, Accounting and HR Group Head.
The remuneration report was read at the forty-ninth Annual General Assembly of the Company, which was held on 3/3/2021, where the terms of the report were noted and approved.

Nominations and Remuneration Committee	**State of Kuwait**
Salhia Real Estate Company	**Date : 1/2/2021**

Undertaking the Soundness and Integrity of the Prepared Financial Reports

The Executive Management presents a written undertaking to the Board of Directors of Salhia Real Estate Company for the soundness and integrity of the Company's financial reports, and covers all the financial aspects of operational data and results that were prepared according to the International Financial Reporting Standards (IFRS). Furthermore, the Board of Directors provides to the Company shareholders a declaration of the soundness and integrity of the financial statements and reports relevant to the Company's business.
Pursuant to the authorities vested in it by the Board of Directors, the Auditing Committee is entitled to access and review all the information, data, reports, records and correspondences related to the Company's activities or risk management, as well as other matters which the committee deems significant to review. The Board of Directors guarantees to the committee and its members full independence.

Recommendations of the Audit Committee to the Company's Board of Directors

The Audit Committee has the right, based on the powers specified in the Committee's work charter, and in accordance with the powers and responsibilities mentioned in the corporate governance rules, to supervise, review and follow up on all the Company's auditors' activities, internal audit activities, and other tasks that ensure the consolidation of the culture of compliance. It also has the right to ensure the fairness and transparency of financial reports, as well as ensuring the effectiveness of the applied internal control systems. The Committee has to submit any observations or recommendations related to its work periodically to the Board of Directors. During the past year, there was no conflict between the recommendations of the Audit Committee and the decisions issued by the Company's Board of Directors.

Independence and Impartiality of the External Auditor

Salhia Real Estate Company's Board of Directors approved the selection and independence policy of the external auditor prepared by the Audit Committee as per the laws and legislations in the State of Kuwait. This policy lays down the framework through which the Company's external auditors undertake their tasks in the Company, which fully illustrates the mechanism for the selection of the auditors and verification of their independence from the Company, as well as their competence criteria held in line with the services provided by them.

On 11/3/2020, the General Assembly of Salhia Real Estate Company approved the appointment of the Auditor Mr. Adel Al Abdul Jader, Al Aiban and Osaimi Office "Ernst & Young" as the External Auditor of the Company's financial statements, as he has a good reputation, and the required integrity and independence to undertake this role. Furthermore, he is one of the auditors listed on the list of the Capital Markets Authority's approved auditors.

Company Risk Management

The Compliance Office, Risk Department and Risk Management Committee in Salhia Real Estate Company shall undertake their role in the follow up and assessment of the decisions relevant to risk tolerance in the Company, in coordination with the consultant office approved by the Company in order to determine and measure the risks.

The Board of Directors shall assume the fundamental liability for determining the risk strategy and tolerance in the Company, in addition to the approval of the risk management framework and periodic follow up with the objective of achieving balance between risks and expected returns.

Internal Control Systems

Salhia Real Estate Company relies on a number of control systems and regulatory rules which cover all the Company's activities and management. These controls and rules work to safeguard the soundness of the Company's financial position, accuracy of its data and efficiency of its operations from different aspects. The Company's organizational structure reflects the double controls (Four Eyes Principles), which include the proper identification of the authorities and responsibilities, complete segregation of the tasks, non-conflict of interests, double inspection and control and double signing.

The Company's Board of Directors mandated an independent consultancy office to undertake the internal control and auditing works of the groups and departments in Salhia Real Estate Company as per the requirements of the Capital Markets Authority. The office works as a consultation body accountable to the Auditing Committee and therefore directly to the Company's Board of Directors. The consultancy office submits periodical reports for the review and evaluation of the internal control systems applied in the Company, as well as prepares the annual Internal Control Report (ICR). Therefore, the Company's Auditing Committee reviews the work reports of the Auditing Committee and discusses them in preparation for submitting them to the Board of Directors.

Code of Conduct and Ethical Values

The Board of Directors laid down a code for encouraging sound practices, ethical behaviors and protection of the long term interests for all those concerned. Among its most significant clauses are the following:

- Integrity ranks first in terms of the priority in the Company's values, and acts as the foundation guiding personnel in all their duties. Thereby fostering a method of work which spreads ethics as the underlying focus.
- The ethical direction and behavior supports the decisions based on values upon providing services to the customers and during the overall work performance. The Company is not only proud of this effort for the interest of work but also for the interest of all stakeholders.
- To support these ideals, the code of ethical conduct and ethics was prepared, which aims to assist the members of the Board of Directors and Executive Management in performing their duties through a system based on ethical values. The principles and values of this code form an indivisible part of the strict compliance which the Company aims to achieve in order to safeguard its reputation and maintain the public's confidence in the Company.

Company Policies and Procedures in Limiting Conflict of Interest Cases

As part of the corporate governance, the Company laid down a code on conflict of interest, including the methods and necessary measures to confront and manage them, in order to satisfy these requirements and prohibit any conflict of interest by members of the Board of Directors and/or Executive Management and separate personal interests from official responsibilities in the Company.
The objective of these policies aims to assist the Company and each of its direct and indirect subsidiary companies, as well as members of the Board of Directors and Executive Management to identify regulatory values of the Company, and sound management practices in the event of actual or potential conflict of interests cases. Such policies and procedures apply to all the Company's personnel, suppliers, officials and members of the Board of Directors.

Disclosure and Transparency

The Company adheres to clear instructions regulating the disclosure of substantial information and the mechanism of announcing it, which also satisfies its legal and ethical requirements. Furthermore, the Company is keen on ensuring that substantial information related to its activities are disclosed at the proper time, including the financial position and performance of the Company's management to the concerned bodies for the purpose of understanding the strategy and practices for the evaluation of its performance.

The Company complies with the disclosure mechanisms laid down by the Capital Markets Authority through the Stock Exchange website and notifies the Authority accordingly. Disclosures are further posted on the Company's website by the end of the same business day, and have been archived for the past five years, allowing public access to such information at any given time. Salhia Real Estate Company retains a special register in which it provides all the disclosures of members of the Board of Directors and the Executive Management. All the Company shareholders are entitled to access this information freely.

Investors Affairs

The Company has complied with laying down policies and procedures for representing it fairly, whereby current and potential investors are informed of any investment decisions. The Investors Affairs Unit in the Company enjoys the required independence, working to provide data and reports within the required time frame with the needed accuracy through the established disclosure methods.

Information Technology Infrastructure in the Company

The Company has updated its website in which it created a special section on corporate governance. Salhia Real Estate Company provides through this website all the information about the Company, its subsidiary and affiliate companies and its projects locally and abroad. It also provides various financial and non-financial data and other relevant information that is updated on a regular basis.

General Rights of Shareholders

As stipulated in the Company's manual of policies for the protection of the rights of stakeholders and shareholders, all the Company shareholders enjoy general and clear rights which include: registering the value of owned shares in the accounting records, registering and transferring the ownership of shares, receiving profit distribution, or a part of the Company's assets in the event of its liquidation, receiving data and information relevant to the Company's activities, and operational and investment strategies at the right time, participation in the general assembly meetings of shareholders and voting on its decisions, election of members of the Board of Directors, monitoring the Company's performance in general and the Board of Directors in particular, accountability of the Board of Directors and Executive Management and filing accountability lawsuits in the event of non-performance of the functional duties they are mandated with.

Furthermore, a special register exists in the Company that resides with Kuwait Clearing Company in which the names of shareholders, their nationalities, domicile and the number of shares held are recorded. This register is updated with any changes on the data registered therein, according to the details received by the Company or Kuwait Clearing Company. Concerned parties may request the Company or Kuwait Clearing Company to supply them with details from this register at any given time.

Company General Assembly Meeting

Salhia Real Estate Company is keen to organize the General Assembly Meeting of shareholders as set forth in the corporate governance regulatory rules and laws. The General Assembly agenda includes all items and topics according to the established rules. Details and information of the agenda were made available to shareholders in advance of the date of the meeting to allow shareholders sufficient time to review and study the agenda. Shareholders are permitted effective participation in the General Assembly meetings, discussion of the topics listed therein and to raise their questions or queries the company ensures that all shareholders practice the right of voting without any hindrance.

Rights of Stakeholders

Salhia Real Estate Company has prepared the policies and procedures which guarantee the protection of stakeholders' rights permitting them to obtain legal compensations in the event of breach to any of their rights as set forth in the corporate governance rules. These policies outline the Company's need to maintain positive working relationships and clarify the policy of reporting violations, receiving complaints and addressing them.

The Company is devoted to increasing the contributions and participations of stakeholders in its activities, through procedures such as the publishing of all relevant information accurately and promptly to the stakeholders, and taking into consideration the interests of such upon taking significant decisions. Furthermore, stakeholders are encouraged to submit their remarks and feedback on their experiences in dealing with the Company.

Training Programs and Courses

Continuous training and qualification of the members of both the Board of Directors and the Executive Management has been included on the agenda of the meetings of the Salhia Real Estate Board of Directors, whereby the Board has adopted a decision on the need to provide training programs for its members. There have been some examples that correspond to the latest administrative and financial developments and improvements issued by the regulatory authorities and other related aspects that contribute to raising the level of members' performance towards their responsibilities. The members of the Board of Directors and the Executive Management participated in a number of these training programs and workshops during the past year.

The Board of Directors has also approved the induction program for new and newly appointed members of the Board of Directors, as well as an induction program for new members of the Executive Management team. These programs outline the most important information about the Company's strategy, the financial and operational aspects of the Company's various activities, as well as the legal and regulatory obligations of the members of the Board of Directors and members of the Executive Management, and the general framework of their responsibilities and rights within the Company.

The General Framework for Evaluating the Performance of the Board of Directors and Executive Management

The Company has put in place a clear mechanism for conducting the annual evaluation process for members of the Board of Directors and Executive Management, based on the concept of comprehensive self-evaluation. The evaluation is carried out through the Nomination and Remuneration Committee and supervised by the Board of Directors, and depends on several key indicators that measure the overall performance in an impartial and objective manner. This not only helps avoid errors but also rectifies any issues that would impede the proper application of governance procedures.

Institutional Values of the Company Personnel

The Company has outlined in its professional and ethical Code of Conduct Manual, the fundamental principles on which it establishes the institutional values that its reputation is based on for the conduct of members of the Board of Directors, Executive Management and personnel. Each person should play a role in safeguarding the Company's reputation by complying with the highest ethical standards. The Board of Directors assumes the responsibility of laying down the criteria and specifications of the Company's ethical values. All members of the senior management and staff shall assist in enforcing this manual as part of their function and ethical responsibility and report any violation to the Board of Directors.

Additionally, the Company's management has prepared the "Employee Manual" in light of the State of Kuwait's private sector Labor Law. This manual was circulated to all the Company's personnel. The manual comprises of the guidelines and applicable procedures of Salhia Real Estate Company that present a clear image on the employee's rights and duties fostering the employees' vital and fundamental role in providing the highest standards and services.

In another aspect of the Board's emphasis on value creation, the Company has developed an Integrated Report as one of the effective tools in achieving the Company's strategic goals and then promoting corporate values, by issuing an Annual Report to be submitted to the Board of Directors. This report contains the most prominent characteristics mentioned in the rules of corporate governance that must be available in the Integrated Report, such as the approved business model for the Company, a summary of the size of the risks, and an analysis of the financial and operational performance for the past year, in addition to the direction and future vision of the Company.

Social Responsibility

The Board of Directors of Salhia Real Estate Company adopt a clear guide to the policies and procedures that achieve a balance between the societal goals, environment and economic goals of the Company. The social responsibility guide highlights the Company's continuous commitment to its social and environmental responsibilities through activities and programs aimed at the sustainable development of society in general and its employees in particular. This is achieved through initiatives aimed at improving living conditions for the personnel, their families and society, and through working to reduce the unemployment rate in the country, and reducing the waste of environmental resources in general.

The Company's management aims to enhance its corporate responsibility through its contribution to solving social and environmental problems within its operations and relations with the concerned institutions, as it paves the way for achieving a balance of economic, environmental and social obligations, while at the same time, meeting the expectations of shareholders. Thus, improving the Company's reputation and enhancing its brand in the market.

During the past year, Salhia Real Estate Company has taken initiative in the field of social responsibility, through the sponsorship of various social, environmental and youth activities, among many others. The Company's facilities were open to host these social activities, in addition to providing charities, sponsorship opportunities, and financial aid and support to several social institutions in Kuwait.

Social Activities 2020

Kuwait Architecture Students Association (Annual Exhibition for Architecture and Design)

Salhia Real Estate Company cooperated with Kuwait University's College of Architecture to hold their annual fair at Arraya Commercial Centre.

The annual fair is meant to spread the knowledge of architecture by inviting faculty members and architectural firms to the event to display their designs and skills to the public.

Salhia Pearls Exhibition (in support ofYoung Jewelry Designers)

Salhia Real Estate company sponsored the Salhia Pearls Exhibition in Salhia Complex which brought together the most prominent Kuwaiti jewelry designers showcasing their unique creative designs. The event attracted a large number of visitors and stimulated an unforgettable shopping experience.

FOOD BUZZ

Salhia Real Estate Company sponsors Food Buzz at the end of each year in its effort to support and boost small businesses in the Food & Beverage industry in Kuwait.

Salhia Real Estate Company amid the Covid-19 Crisis

Salhia Real Estate Company collaborated with its tenants in Salhia Complex and Arraya Commercial Centre to display their products and services on the Company's social media pages during the pandemic, in an effort to assist the tenants in maintaining contact with their regular customers through online shopping experiences while at the same time providing handy safety tips during the lock-down period.

Earth Day

Salhia Real Estate Company participates in Earth Hour every year. This is a global initiative organized by the World Wide Fund for Nature, in which the facilities' lights are turned off for an entire hour to conserve energy consumption and spread awareness about its significance.

V-Thru

In a collaboration between Salhia Real Estate Company and the V-Thru application developers team, the Company supported the national efforts implemented by the Ministry of Health and the Council of Ministers by offering delivery services for cafes and restaurants to customers' cars, thereby reinforcing social distancing measures and ensuring everyone's safety in doing so.

Beit Alkhair

Salhia Real Estate Company organized a special booth to present the artwork of a number of professional artists in Kuwait, connected with Beit Alkhair, in which 80% of the proceeds were dedicated to the Kuwait Red Crescent Society. Similarly, the Kuwait Society for the Welfare of Handicapped Persons also contributed to this effort by presenting the organization's artwork and selling the artwork to help promote the activities of their organization to the public.

Winter Campaign

Salhia Real Estate Company has collaborated with the United Nations High Commission for Refugees (UNHCR) and Sheikh Abdallah Al Nouri Charity in launching a campaign called 'Winter Campaign' to fund the needs of refugees in neighboring countries in the hopes of easing their struggles.

REPORT ON INTERNAL CONTROL SYSTEMS IN RESPECT OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Russell Bedford
taking you further

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The Board of Directors
Salhia Real Estate Company K.S.C.P
State of Kuwait

Dear Sirs,

Report on Internal Control Systems in respect of Salhia Real Estate Company K.S.C.P ("the Company" or "Salhia")

In accordance with our engagement letter dated 3 November, 2020 with Salhia Real Estate Company K.S.C.P, we have examined the internal control systems of the Company, which were in existence for the year ended 31 December 2020. The divisions examined were as follows:

- Corporate Governance
- Real Estate Facilities Management
- Real Estate Development
- Construction
- Investments
- Finance & Accounts
- Human Resources & Administration
- Information Technology
- Compliance
- Investor Relations Unit
- Risk Management
- Internal Audit Function
- Legal

Our examination has been carried out with respect to Article 6-9 of Module 15 - 'Corporate Governance' of the Executive By-Laws issued by the Capital Market Authority ("CMA").

We would like to indicate that you as Directors of the Company are responsible for establishing and maintaining adequate internal control systems of your Company, taking into account that the related cost of such systems to be commensurate with the benefits expected from implementation thereof. It shall be noted that the objective of this report is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that risks are properly monitored and evaluated, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent manner, with care and caution.

Because of inherent limitation in any internal control system, errors or irregularities may nevertheless occur and not be detected or traced. Also projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

In our opinion, having regard to the nature and size of the Company's business and operations for the year ended 31 December 2020, the internal control systems examined by us were established and maintained in accordance with the scope set out above with the exception of the matters set out in the respective areas of this report.

Dr. Saad Sulaiman Albuloushi
Licence No. 155 "A"
of Russell Bedford Kuwait
Member firm of Russell Bedford International

State of Kuwait
31 January 2021

AUDITING COMMITTEE REPORT

Salhia Real Estate Company
Auditing Committee Report for the Fiscal Year ended on 31 December 2020

Introduction:

The Board of Directors of Salhia Real Estate Company undertakes the duties of creating and following up the control, auditing and review systems in the Company, whereby the responsibility of the Board of Directors does not rely solely on the forms, policies and procedures related to auditing, but exceed them until the control systems represent a general conduct in the company, by its personnel in the various departments.

Internal Control Systems:

The Board of Directors has approved the general policies and procedures for the internal auditing systems covering all the company's activities and departments. The work strategy defines the control work for the company, as well as the responsibilities, duties and tasks of the company personnel. The Board of Directors Auditing Committee follows up the execution of such policies and procedures, whereby the committee held regularly its periodical meetings for the management and efficiency measurement of the internal control systems. Further, the remarks and reports submitted to the committee have been discussed according to the route of submitting reports at the company's various departments in order to achieve double control.

Furthermore, the committee held periodical meetings with the internal auditor in which it discussed the reports relevant to the various groups of the company. In these meetings, all the regulatory remarks issued by the internal auditor have been discussed, as well as review of the previous remarks and extent of response to these remarks in order to identify the aspects of risks and hurdles to which the company may be exposed, the degree of their significance and attempt to avoid such risks, as well as ensure that the control functions of the various groups of the company are laid down properly. This is in addition to the availability of the human competences and required and appropriate regulatory tools to achieve an effective internal control.

Furthermore, the Auditing Committee reviews the proposed plan for the auditing works inside the company in order to maintain the periodicity of convening the committee according to predetermined agenda and dates. The committee practices its authority for review and approval of the annual auditing plan and all the main changes on the internal control policies and procedures.

Accuracy of the financial statements and reports:

The Auditing Committee performs its role in the review and supervision over the external auditors' reports in connection with the quarterly and annual financial statements of the company before submitting them to the Board of Directors – and meets with the auditors periodically – in order to ensure the soundness of the company's financial statements, the independence and integrity of the external auditor whose opinion remains independent, and enclosed with the contents of the company's annual report.

Regulatory Obligations:

According to the requirements of the Capital Markets Authority, the committee has taken the required steps to execute the new instructions for corporate governance, which included updating the existing auditing procedures and preparation of the special registers for recording the minutes of the committee, its decisions and agendas. Further, a contract was signed with an independent external auditor office in order to express the opinion and prepare the internal control report And it is submitted to the Capital Market Authority on an annual basis.
The Board of Directors and executive management have both pledged to comply with submitting written and clear undertakings for the accuracy and integrity of the annual financial statements and financial reports related to the company's operations, and that they include all the financial aspects of the company and its operational results, and that they are prepared according to the International Financial Reporting Standards (IFRS).
At the end, the Auditing Committee observes that the follow up and supervision works it carried out and the review procedures of the auditors' reports and the applicable internal control systems, point out that Salhia Real Estate Company has a suitable control environment for its activities, which do not stand as a barrier for achieving its goals, and that the company is advancing in the efficiency of the monitoring and compliance system to the laws and regulations issued by the regulatory bodies.

Risk Management and Auditing Committee
Salhia Real Estate Company

State of Kuwait
Date : 1/2/2021

BOARD OF DIRECTORS UNDERTAKING

SALHIA

Date : 08/02/2021

Board of Directors Undertaking

Salhia Board of Directors assures the written undertakings of the soundness and integrity of financial reporting related to the corporate operations of Salhia Real Estate Co. for the financial year ending 31 December 2020.

Signature	
Mr. Ghazi Fahed Alnafisi Chairman	

Salhia Real Estate Company K.S.C. Mohd.Thunayan Al-Ghanim St., P.O. Box 23413, Safat 13095, Kuwait. Tel (+965) 2299 6000 Fax (+965) 2299 6304 www.salhia.com
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SALHIA REAL ESTATE COMPANY K.S.C.P. AND SUBSIDIARIES

Consolidated financial statements
31 December 2020

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.
We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of properties

Properties in the consolidated statement of financial position include investment properties, and certain freehold land and buildings classified under property and equipment. Apart from lands which are measured at costs, these properties are measured at cost less accumulated depreciation and impairment, if any, and constitutes significant portion of the Group's total assets as at the reporting date.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements (continued)
Impairment of properties (continued)

The management of the Group is determining the fair value of its properties, for disclosure and impairment testing purposes, at the reporting date and uses external appraisers to support these valuations. The valuation of the properties is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, market knowledge and historical transactions. Further, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Given the size and complexity of the valuation of properties and the importance of the disclosures relating to the assumptions used in the valuation, we considered this as a key audit matter.

Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group, and considered the independence, reputation and capabilities of its external valuators. We also evaluated the accuracy of the data inputs used by the external evaluator. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 10 of the consolidated financial statements.

Other information included in the Group's 2020 Annual Report

Management is responsible for the other information. Other information consists of the information included in Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2020 Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements (continued)
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 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)

8 February 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
Revenues		19,345,384	44,618,708
Operating costs		(8,725,889)	(18,671,542)
Gross profit		10,619,495	25,947,166
Share in joint venture's results, net of tax	9	(569,070)	1,866,251
General and administrative expenses		(3,946,151)	(5,331,583)
Depreciation		(5,040,861)	(5,874,209)
Sales and marketing expenses		(318,304)	(549,166)
Investment income	4	396,490	843,380
Foreign exchange loss		3,600	(45,807)
Interest income		74,041	45,551
Other income, net		399,894	276,460
Impairment loss on investment properties	10	(617,797)	(407,172)
Gain from sale of property and equipment		-	7,603,499
Gain from sale of a subsidiary	27	21,880,568	-
Finance costs		(501,001)	(1,450,221)
Profit before tax		22,380,904	22,924,149
Taxation on overseas subsidiaries		(19,787)	(162,371)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' FEES		22,361,117	22,761,778
KFAS		(224,426)	(226,540)
NLST		(561,064)	(566,350)
Zakat		(224,426)	(226,540)
Directors' fees	18	(120,000)	(120,000)
PROFIT FOR THE YEAR		21,231,201	21,622,348
Attributable to:			
Equity holders of the Parent Company		21,312,661	21,514,598
Non-controlling interests		(81,460)	107,750
		21,231,201	21,622,348
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	43.05 fils	43.70 fils

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020 KD	2019 KD
Profit for the year	**21,231,201**	21,622,348
Other comprehensive (loss) income:		
Other comprehensive (loss) income that are or may be reclassified to consolidated statement of income in subsequent periods:		
Exchange differences arising on translation of foreign operations	**(8,261,147)**	361,543
Net other comprehensive (loss) income to be reclassified to consolidated statement of income in subsequent periods	**(8,261,147)**	361,543
Other comprehensive (loss) income not to be reclassified to consolidated statement of income in subsequent periods:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	**(243,644)**	866,261
Other comprehensive (loss) income	**(8,504,791)**	1,227,804
Total comprehensive income for the year	**12,726,410**	22,850,152
Attributable to:		
Equity holders of the Parent Company	**12,807,871**	22,742,402
Non-controlling interests	**(81,461)**	107,750
	12,726,410	22,850,152

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 KD	2019 KD
ASSETS			
Cash and bank balances	6	3,311,614	6,617,854
Fixed deposits		2,060,000	6,744,193
Inventories		198,803	285,816
Accounts receivable and other assets	7	8,753,151	12,124,081
Financial assets at fair value through other comprehensive income	8	7,279,729	5,937,553
Interest in joint venture	9	9,888,381	10,606,712
Investment properties	10	299,261,578	259,963,689
Property and equipment	11	32,791,233	65,811,421
Right-of-use assets		543,032	917,783
TOTAL ASSETS		364,087,521	369,009,102
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institution	6	3,950,779	-
Accounts payable and other liabilities	12	33,837,314	31,216,063
Commercial financing	13	7,302,278	29,927,962
Islamic financing	14	149,215,986	138,657,358
Lease liabilities		2,584,563	3,237,095
TOTAL LIABILITIES		196,890,920	203,038,478
EQUITY			
Share capital	15	51,272,341	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	16	(5,000,616)	(5,194,386)
Treasury shares reserve		3,560,844	2,872,702
Statutory reserve	17	30,280,511	30,280,511
Voluntary reserve	17	20,489,290	20,489,290
Retained earnings		46,869,513	37,939,197
Fair value reserve		450,596	694,240
Foreign currency translation reserve		(15,803,021)	(10,107,119)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		167,174,621	163,301,939
Non-controlling interests		21,980	2,668,685
TOTAL EQUITY		167,196,601	165,970,624
TOTAL LIABILITIES AND EQUITY		364,087,521	369,009,102

Ghazi Fahad Alnafisi
Chairman

Faisal Abdulmuhsen Al-Khatrash
Vice Chairman

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company											
	Share capital	Share Premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Retained earnings	Fair value reserve	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2020	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 year	-	-	-	-	-	-	21,312,661	-	-	21,312,661	(81,460)	21,231,201
Other comprehensive loss	-	-	-	-	-	-	-	(243,644)	(5,695,902)	(5,939,546)	(2,565,245)	(8,504,791)
Total comprehensive income (loss)	-	-	-	-	-	-	21,312,661	(243,644)	(5,695,902)	15,373,115	(2,646,705)	12,726,410
Purchase of treasury shares	-	-	(1,599,255)	-	-	-	-	-	-	(1,599,255)	-	(1,599,255)
Sale of treasury shares	-	-	1,793,025	688,142	-	-	-	-	-	2,481,167	-	2,481,167
Dividends (Note 15)	-	-	-	-	-	-	(12,382,345)	-	-	(12,382,345)	-	(12,382,345)
Balance as at 31 December 2020	**51,272,341**	**35,055,163**	**(5,000,616)**	**3,560,844**	**30,280,511**	**20,489,290**	**46,869,513**	**450,596**	**(15,803,021)**	**167,174,621**	**21,980**	**167,196,601**
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 year	-	-	-	-	-	-	21,514,598	-	-	21,514,598	107,750	21,622,348
Other comprehensive (loss) income	-	-	-	-	-	-	-	866,261	486,448	1,352,709	(124,905)	1,227,804
Total comprehensive income (loss)	-	-	-	-	-	-	21,514,598	866,261	486,448	22,867,307	(17,155)	22,850,152
Purchase of treasury shares			(2,334,810)	-	-		-	-	-	(2,334,810)		(2,334,810)
Sale of treasury shares	-	-	2,309,104	632,290	-	-	-	-	-	2,941,394	-	2,941,394
Dividends (Note 15)	-	-	-	-	-	-	(9,870,427)	-	-	(9,870,427)	-	(9,870,427)
Balance as at 31 December 2018	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

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' fees		22,361,117	22,761,778
Adjustments for:			
Share in joint venture's results, net of tax	9	569,070	(1,866,251)
Provision for employees' terminal benefits		680,272	609,705
Depreciation		5,040,861	5,874,209
Investment income	4	(396,490)	(843,380)
Foreign exchange loss		(3,600)	45,807
Interest income		(74,041)	(45,551)
Gain from sale of property and equipment		-	(7,603,499)
Gain from sale of a subsidiary	27	(21,880,568)	-
Impairment loss on investment properties	10	617,797	407,172
Provision for (reversal of) expected credit losses	7	50,000	(200,000)
Finance costs		501,001	1,450,221
		7,465,419	20,590,211
Changes in operating assets and liabilities			
Inventories		87,013	(27,776)
Accounts receivable and other assets		2,179,214	(5,410,786)
Accounts payable and other liabilities		10,645,316	10,989,334
Cash from operations		20,376,962	26,140,983
Employees' terminal benefits paid		(1,047,089)	(15,864)
KFAS paid		(226,540)	(163,939)
NLST paid		(561,467)	(455,387)
Zakat paid		(224,123)	(163,939)
Directors' fees paid		(120,000)	(120,000)
Net cash flows from operating activities		18,197,743	25,221,854
INVESTING ACTIVITIES			
Additions to investment properties	10	(40,471,908)	(50,388,487)
Additions to property and equipment	11	(538,755)	(1,321,394)
Net movement in advance payments to contractors		1,141,716	1,405,187
Proceeds from sale of property and equipment		-	13,002,350
Proceeds from sale of a subsidiary		30,717,846	-
Dividend income received	4	396,490	843,380
Interest income received		74,041	45,551
Fixed deposits		4,684,193	(4,444,193)
Net cash flows used in investing activities		(3,996,377)	(40,857,606)
FINANCING ACTIVITIES			
Due to banks and financial institution		3,950,779	-
Proceeds from commercial and Islamic financings obtained		26,724,758	45,974,635
Repayment of commercial and Islamic financings		(38,791,814)	(19,558,268)
Finance costs paid		(501,001)	(1,450,221)
Dividends paid	15	(12,382,345)	(9,855,014)
Purchase of treasury shares		(1,599,255)	(2,334,810)
Sale of treasury shares		1,793,025	2,309,104
Payments of lease liabilities		(652,532)	(210,748)
Net cash flows from financing activities		(21,458,385)	14,874,678
NET DECREASE IN CASH AND BANK BALANCES		(7,257,019)	(761,074)
Cash and bank balances as at 1 January		6,617,854	7,378,928
CASH AND BANK BALANCES AS AT 31 DECEMBER	6	(639,165)	6,617,854

The attached notes 1 to 28 form part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors 8 February 2021. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C.P. and its Subsidiaries listed in Note 19.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. The Parent Company's 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 United Kingdom. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared under the historical cost basis except for Financial assets at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New standards, interpretations, and amendments adopted by the Group

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial information 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.

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 consolidated financial statements, which provide consolidated 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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements 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 consolidated financial statements of the Group.

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.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements,* issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.
The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

A specific adaptation for contracts with direct participation features (the variable fee approach)

A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries including special purpose entities as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated statement of income and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

Business combinations and acquisition of non-controlling interests

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and acquisition of non-controlling interests (continued)

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and also exposed to credit risk. The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Interest income

Interest income is recognised as it accrues using the effective interest rate method ("EIR").

Hotel and care home income

Hotel and care home income represents the invoiced value of services provided during the year.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

Gain or loss on sale of investment properties and investment in securities

Gain or loss on sale of investment properties and investment in securities is recognised when the sale transaction is consummated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the consolidated statement of income reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of incomes are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to the consolidated statement of other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Leases

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company (net of accumulated losses brought forward) after accounting for the transfer to statutory reserve and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and Subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas Subsidiaries

Taxation on overseas Subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred. Finance costs consist of profit and other costs that the Group incurred in connection with the murabaha payables.

The finance cost capitalised is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalised is the gross finance cost incurred on those borrowing less any investment income arising on its temporary investment. Finance cost is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalised in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Cash and bank balances

Cash and bank balances are short-term, highly liquid investments including short-term fixed deposits that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value, net of due to banks contractually due within three months.

Fixed deposits

Fixed deposits in the statement of financial position comprise term deposit with original maturity of one year or less.

Accounts payable and other liabilities

Accounts payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Commercial financing

After initial recognition, interest bearing commercial financing is subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Islamic financing

Islamic financing represents murabaha and wakala financing taken under murabaha and wakala arrangements. Islamic financing is stated at the gross amount of the payable, net of deferred cost payable. Deferred cost payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Inventories

Inventories of food and beverages are valued at the lower of cost and net realisable value after making due allowance for any expired or slow-moving items. Cost is determined by the first-in, first-out basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

Interest in joint venture

The interest in the joint venture is accounted for using the equity method. Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in joint venture (continued)

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of income its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of interest in joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The joint venture's financial statements are prepared to the Parent Company's reporting date or to a date not earlier or later than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments are made to the joint venture's financial statements to bring them in line with the Group's accounting policies.

Upon loss of joint control over the venture, the Group measures and recognise any retained investment at its fair value.

Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provision for impairment. Buildings are depreciated using the straight line method over their estimated useful lives which vary between 10 to 50 years.

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment in value (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

- Buildings and related immovable equipment 10 to 50 years
- Furniture and equipment 5 to 10 years
- Motor vehicles 5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

An item of property and equipment initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposals.

Any gain or loss arising on derecognition of the assets is included in the consolidated statement of income when the asset is derecognised.

Capital work in progress

Capital work in progress is carried at cost less impairment in value (if any). Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.

The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognised on the consolidated statement of financial position. They are disclosed in the consolidated financial statement unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised on the consolidated statement of financial position, but disclosed in the consolidated financial statement when an inflow of economic benefits is probable.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement

Financial assets - (IFRS 9)

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial assets - (IFRS 9) (continued)

Financial assets – Business model assessment: (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial assets - (IFRS 9) (continued)

Financial assets – Subsequent measurement and gains and losses:

• Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
• Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
• Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses arerecognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
• Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Accordingly, the measurement of receivables under IFRS 9 doesn't have material impact on the consolidated statement of income for the Group.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant judgments

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Significant judgments (continued)

Business combinations

The Group acquires Subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of Subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Classification of real estate

Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment. Property acquired principally for sale in the ordinary course of business is classified as trading property. Property acquired to generate rental income or for capital appreciation, or for undetermined future use is classified as investment property. Property acquired for owner occupation is classified as property and equipment

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4 INVESTMENT INCOME

	2020 KD	2019 KD
Dividend income	396,490	843,380

5 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic:

Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (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 year 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 year 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 employees share option plan as at 31 December 2020.

	2020	2019
Profit for the year attributable to equity holders of the Parent Company (KD)	21,312,661	21,514,598
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	495,102,066	492,293,890
Basic and diluted earnings per share attributable to equity holders of the Parent Company	43.05 fils	43.70 fils

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

6 CASH AND BANK BALANCES

Cash and bank balances comprises of the following:

	2020 KD	2019 KD
Cash on hand	6,933	120,284
Bank balances	3,304,681	6,497,570
Cash and cash equivalents	3,311,614	6,617,854
Less: Due to banks and financial institutions	(3,950,779)	-
Cash and bank balances for the purpose of the consolidated statement of cash flows	(639,165)	6,617,854

Bank balances represent non-interest bearing current bank accounts held with commercial banks.

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2020 KD	2019 KD
Hotel guests and care home residents receivables	273,818	826,902
Rent receivable	1,161,965	594,431
Staff receivables (Note 20)	25,522	53,503
Deposits and prepaid expenses	665,586	1,210,086
Advance payments to contractors*	4,938,495	6,080,211
Due from related parties (Note 20)	19,311	742,765
Other receivables	1,668,454	2,616,183
	8,753,151	12,124,081

* During the year, the Group made advance payments to the main contractor for the construction of Al Assima project amounting to KD 998,257 (2019: KD 2,428,599).

Hotel guests, care home residents receivables and rent receivable are non-interest yielding and are generally on 30-90 days terms.

Movement in expected credit losses of hotel guests, care home and residents and rent receivable is as follows:

	2020 KD	2019 KD
As at 1 January	370,062	570,062
Reversal of expected credit losses	50,000	(200,000)
As at 31 December	420,062	370,062

As at 31 December, the analysis of hotel guests, care home residents receivables and rent receivable that were past due but not impaired is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

		Past due but not impaired					
	Neither past due nor impaired	< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 to 365 days	Total
	KD	KD	KD	KD	KD	KD	KD
2020	**-**	**278,938**	**174,816**	**172,398**	**115,224**	**694,407**	**1,435,783**
2019	122,574	449,588	176,605	136,046	85,057	451,463	1,421,333

Hotel guests, care home residents receivables and rent receivable include amounts denominated in the following major currencies:

	2020 KD	2019 KD
Kuwaiti Dinar	**1,355,707**	1,106,541
Euro	**-**	195,549
GBP	**80,076**	119,243
	1,435,783	1,421,333

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 KD	2019 KD
Managed quoted portfolios	**163,406**	112,050
Managed unquoted portfolio	**272,764**	271,249
Unquoted equity securities	**6,843,559**	5,554,254
	7,279,729	5,937,553

Managed quoted portfolios represent equity investments carried at market bid prices and fair values as reported by the portfolio managers.

Managed unquoted portfolio represents unquoted equity securities amounting to KD 272,764 (2019: KD 271,249) are carried at the latest net asset value provided by the respective portfolio managers.

The fair values of financial instruments are presented in Note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

9 INTEREST IN JOINT VENTURE

This represents the Group's 50% (2018: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments limited, engaged in real estate leasing and development.

	2020 KD	2019 KD
Carrying amount of the investment in the joint venture:		
As at 1 January	**10,606,712**	8,352,038
Share in the joint venture's results, net of tax	**(569,070)**	1,866,251
Foreign currency translation adjustment	**(149,261)**	388,423
As at 31 December	**9,888,381**	10,606,712
Share of joint venture entity's statement of financial position:		
Current assets	**2,233,789**	1,417,955
Non-current assets	**11,008,693**	12,159,749
Current liabilities	**(2,986,670)**	(1,122,297)
Non-current liabilities	**(367,431)**	(1,848,695)
Net assets	**9,888,381**	10,606,712
Share of joint venture entity's revenue and results:		
Revenues	**1,378,238**	4,329,777
Results	**(569,070)**	1,866,251

10 INVESTMENT PROPERTIES

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Cost				
Balance as at 1 January 2020	**98,700,499**	**65,631,706**	**131,310,571**	**295,642,776**
Additions	**-**	**-**	**40,471,908**	**40,471,908**
Foreign currency translation adjustment	**139,855**	**25,762**	**457,958**	**623,575**
Balance as at 31 December 2020	**98,840,354**	**65,657,468**	**172,240,437**	**336,738,259**
Accumulated depreciation and impairment				
Balance as at 1 January 2020	**3,437,479**	**32,241,608**	**-**	**35,679,087**
Charge for the year	**-**	**1,179,797**	**-**	**1,179,797**
Impairment loss	**1,153,992**	**(536,195)**	**-**	**617,797**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**
Balance as at 31 December 2020	**4,591,471**	**32,885,210**	**-**	**37,476,681**
Net Book Value as at 31 December 2020	**94,248,883**	**32,772,258**	**172,240,437**	**299,261,578**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

10 INVESTMENT PROPERTIES (continued)

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Cost				
Balance as at 1 January 2019	98,667,362	65,475,217	80,811,893	244,954,472
Additions	-	-	50,388,487	50,388,487
Foreign currency translation adjustment	33,137	156,489	110,191	299,817
Balance as at 31 December 2019	98,700,499	65,631,706	131,310,571	295,642,776
Accumulated depreciation				
Balance as at 1 January 2019	3,030,307	30,363,602	-	33,393,909
Charge for the year	-	1,874,993	-	1,874,993
Impairment loss	407,172	-	-	407,172
Foreign currency translation adjustment	-	3,013	-	3,013
Balance as at 31 December 2019	3,437,479	32,241,608	-	35,679,087
Net Book Value as at 31 December 2019	95,263,020	33,390,098	131,310,571	259,963,689

Investment properties with a carrying value of KD 155,792 (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.

Property under construction includes cumulative capitalised borrowing costs amounting to KD 27,472,537 (2019: KD 22,588,499).

The fair value of the investment properties at the consolidated statement of financial position date was estimated to be KD 361,592,668 (31 December 2019: KD 362,334,873). For local properties, the fair values of investment properties are based on a valuation performed by accredited independent valuers; one of these appraisers is a local bank and the other is a local reputable accredited appraiser. As for foreign properties, the fair values of investment properties are based on one valuation performed by foreign accredited independent valuer. The valuation is based on acceptable methods of valuation such as sales comparison, income capitalization and market comparable methods. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

Certain properties amounting to KD 16,578,464 incurred net impairment amounting to KD 617,797. This is based on the independent accredited valuation described above after considering the specific market and liquidity risk.

Investment properties amounting to KD 71,794,141 (2019: KD 71,794,141) are secured against Islamic financing obtained by a local subsidiary amounting to KD 64,000,000 (2019: KD 61,000,000). Under the terms of the liability, the lenders have no recourse to the Parent Company in the event of default (Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

11 PROPERTY AND EQUIPMENT

	Freehold Land KD	Buildings KD	Furniture And Equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost						
Balance as at 1 January 2020	**10,927,414**	**93,537,452**	**42,743,857**	**418,242**	**544,061**	**148,171,026**
Additions	**-**	**-**	**454,547**	**-**	**84,208**	**538,755**
Disposals	**(4,764,059)**	**(42,346,450)**	**(4,540,521)**	**(4,350)**	**(57,335)**	**(51,712,715)**
Transfers from capital work in progress	**-**	**-**	**362,473**	**-**	**(362,473)**	**-**
Foreign currency translation adjustment	**93,319**	**505,685**	**20,258**	**-**	**2,868**	**622,130**
Balance as at 31 December 2020	**6,256,674**	**51,696,687**	**39,040,614**	**413,892**	**211,329**	**97,619,196**
Accumulated depreciation						
Balance as at 1 January 2020	**-**	**46,447,162**	**35,546,071**	**366,372**	**-**	**82,359,605**
Charge for the year	**-**	**2,162,529**	**1,276,073**	**24,044**	**-**	**3,462,646**
Depreciation on disposals	**-**	**(17,502,998)**	**(3,488,247)**	**(3,624)**	**-**	**(20,994,869)**
Foreign currency translation adjustment	**-**	**475**	**106**	**-**	**-**	**581**
Balance as at 31 December 2020	**-**	**31,107,168**	**33,334,003**	**386,792**	**-**	**64,827,963**
Net Book Value as at 31 December 2020	**6,256,674**	**20,589,519**	**5,706,611**	**27,100**	**211,329**	**32,791,233**

11 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	Buildings KD	Furniture and Equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost						
Balance as at 1 January 2019	12,314,858	96,341,868	43,782,825	416,463	553,204	153,409,218
Additions	-	101,398	1,100,606	15,454	103,936	1,321,394
Disposals	(1,294,125)	(2,438,413)	(2,119,316)	(13,675)	(71,927)	(5,937,456)
Transfers from capital work in progress	-	38,284	-	-	(38,284)	-
Foreign currency translation adjustment	(93,319)	(505,685)	(20,258)	-	(2,868)	(622,130)
Balance as at 31 December 2019	10,927,414	93,537,452	42,743,857	418,242	544,061	148,171,026
Accumulated depreciation						
Balance as at 1 January 2019	-	44,773,260	36,227,277	343,270	-	81,343,807
Charge for the year	-	2,460,980	1,303,323	36,774	-	3,801,077
Depreciation on disposals	-	(786,603)	(1,984,423)	(13,672)	-	(2,784,698)
Foreign currency translation adjustment	-	(475)	(106)	-	-	(581)
Balance as at 31 December 2019	-	46,447,162	35,546,071	366,372	-	82,359,605
Net Book Value as at 31 December 2019	10,927,414	47,090,290	7,197,786	51,870	544,061	65,811,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2020 KD	2019 KD
Accounts payable	5,006,529	6,034,054
Retentions payable	11,981,366	8,888,348
Accrued expenses	2,357,477	2,279,378
Deposits from tenants, hotel and care home guests	-	687,177
Rents received in advance	5,952,971	5,337,212
Employees' terminal benefits	5,298,821	5,665,638
Other payables	3,240,150	2,324,256
	33,837,314	31,216,063

13 COMMERCIAL FINANCING

Commercial financing are contractually due for repayment as follows:

	2020 KD	2019 KD
Instalments payable within one year	7,302,278	6,559,962
Instalments payable within one year to two years	-	1,088,626
Instalments payable within two years to three years	-	1,118,087
Instalments payable within three years to four years	-	1,148,370
Instalments payable after four years	-	20,012,917
	7,302,278	29,927,962

Commercial financing are denominated in the following currencies:

	2020 KD	2019 KD
Kuwaiti Dinars	2,000,000	5,500,000
Euro	-	19,322,234
GBP	5,302,278	5,105,728
	7,302,278	29,927,962

Commercial financing are repayable in periodic installments over variable periods of time with maturities extending to December 2041.

Commercial financing denominated in Kuwaiti Dinar carries variable interest rates which range from 0.75% to 1% per annum (2019: 0.75% to 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing denominated in GBP carries variable interest rates 2.6275% per annum (2019: 2.6275% per annum).

Commercial financing amounting to KD 5,302,278 (2019: KD 24,427,961) has been obtained by foreign subsidiaries.

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14 ISLAMIC FINANCING

	2020 KD	2019 KD
Murabaha financing	**149,215,986**	138,657,358

Islamic financing are contractually due for repayment as follows:

	2020 KD	2019 KD
Instalments payable within one year	**1,800,001**	-
Instalments payable within one year to two years	**9,883,333**	6,150,000
Instalments payable within two years to three years	**16,815,333**	13,483,334
Instalments payable within three years to four years	**16,815,333**	16,815,333
Instalments payable after four years	**103,901,986**	102,208,691
	149,215,986	138,657,358

The average profit rate attributable to Islamic financing during the years is 1.25% per annum (2019: 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 64,000,000 (2019: KD 61,000,000) has been obtained by a local subsidiary acquired during the year 2011 and is secured by an investment property with a carrying value of KD 71,794,141 (2019: KD 71,794,141).

15 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 (2018: 20 fils) per share amounting to KD 12,382,345 for the year ended 31 December 2019 (31 December 2018: KD 9,870,427) for shareholders registered on that date which was paid subsequent.

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

For the year ended 31 December 2020, the Board of Directors of the Parent Company has proposed cash dividends of 30 fils (2019: 25 fils) per share. The cash dividend, if approved by the shareholders' general assembly, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 TREASURY SHARES

As at 31 December 2020, the Parent Company' held 16,292,458 shares (2019:18,321,260 shares) of its own shares, equivalent to 3.18% (2019: 3.57%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 8,162,521 (2019: KD 7,639,965). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

17 STATUTORY RESERVE AND VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. In 2020, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to Statutory reserve.

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. In 2012, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to voluntary reserve.

18 DIRECTORS' FEES

Directors' fees of KD 120,000 are subject to approval by the annual general assembly of the shareholders of the Parent Company. Directors' fees of KD 120,000 for the year ended 31 December 2019 were approved by the annual general assembly of the shareholders of the Parent Company held on 11 March 2020 (Note 20).

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19 SUBSIDIARIES

Details of Subsidiaries are set out below:

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	31 December 2020	31 December 2019		
Directly held:				
Haddia Holding GMBH (Note 27)	**10.48%**	90.89%	Germany	Holding company
Drawbridge Securities Limited*	**50%**	50%	United Kingdom	Property development
Salhia International Investment Limited	**100%**	100%	United Kingdom	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	**99%**	99%	Kuwait	Project management
Al Assima Real Estate Company K.S.C	**99.91%**	99.91%	Kuwait	Real estate
Salhia Real Estate Bahrain S.P.C.	**100%**	100%	Kingdom of Bahrain	Real estate
Salhia International for Entertainment Centers K.S.C	**90%**	90%	Kuwait	Entertainment
Held through Salhia International Investments Limited:				
Salhia Jersey Limited	**100%**	100%	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	**100%**	100%	United Kingdom	Real estate
Salhia Investment Residential Limited	**100%**	100%	United Kingdom	Real estate
Held through Bunyan Al-Salhia Project Management Company W.L.L.:				
Al Suwaihra Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Suwaihra Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Suwaihra Global L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Waqaiba Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Waqaiba Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Had Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Omq Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate

The financial year end of all the above subsidiaries is 31 December except for Drawbridge Securities Limited, and Salhia International Investment Limited which have a financial year end of 30 November.

* During the year ended 31 December 2020, the Group continued to consolidate Drawbridge Securities Limited as the Group exercise control and has in substance the majority of ownership risks in order to obtain benefits from its activities.

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20 RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in the consolidated statement of income are as follows:

	2020 KD	2019 KD
Directors' fees (Note 18)	**120,000**	120,000

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

	Entities under common control KD	Other related parties KD	**Total 2020 KD**	Total 2019 KD
Staff receivables (Note 7)	-	**25,522**	**25,522**	53,503
Due from related parties (Note 7)	-	**19,311**	**19,311**	742,765

Amounts due from related parties are receivable on demand and are interest-free.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2020 KD	2019 KD
Short-term benefits	**643,434**	571,439
Employees' end of service benefits	**260,128**	283,602
	903,562	855,041

21 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 consolidated statement of income as explained below:

Segment results include revenue and expenses directly attributable to a segment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2020				31 December 2019			
	Real estate operations KD	**Hotel operations KD**	**Care home operations KD**	**Total KD**	Real estate operations KD	Hotel operations KD	Care home operations KD	Total KD
Segment revenue	**12,945,274**	**2,289,802**	**4,110,308**	**19,345,384**	18,958,626	9,766,266	15,893,816	44,618,708
Segment operating costs	**(4,035,728)**	**(1,505,530)**	**(3,184,631)**	**(8,725,889)**	(3,057,995)	(3,886,157)	(11,727,390)	(18,671,542)
Segment gross profit	**8,909,546**	**784,272**	**925,677**	**10,619,495**	15,900,631	5,880,109	4,166,426	25,947,166
Share in joint venture's results, net of tax	**(569,070)**	**-**	**-**	**(569,070)**	1,866,251	-	-	1,866,251
Depreciation	**(3,014,338)**	**(1,757,548)**	**(268,975)**	**(5,040,861)**	(3,352,064)	(1,505,726)	(1,016,419)	(5,874,209)
Administrative and marketing expenses	**(2,815,797)**	**(1,088,788)**	**(359,870)**	**(4,264,455)**	(2,641,607)	(1,838,960)	(1,400,182)	(5,880,749)
Finance costs	**(344,743)**	**(17,963)**	**(138,295)**	**(501,001)**	(808,888)	(87,626)	(553,707)	(1,450,221)
Taxation on overseas subsidiaries	**-**	**-**	**(19,787)**	**(19,787)**	-	-	(162,371)	(162,371)
Segment results	**2,165,598**	**(2,080,027)**	**138,750**	**224,321**	10,964,323	2,447,797	1,033,747	14,445,867
Interest income				**74,041**				45,551
Investment income				**396,490**				843,380
Impairment of investment properties				**(617,797)**				(407,172)
Gain from sale of property				**21,880,568**				7,603,499
Other non-operating income				**403,494**				230,653
KFAS, NLST, Zakat and Directors' fees				**(1,129,916)**				(1,139,430)
Profit for the year				**21,231,201**				21,622,348
Segment assets	**352,847,017**	**1,352,123**	**-**	**354,199,140**	318,276,461	4,647,902	35,478,027	358,402,390
Investment in joint venture	**9,888,381**	**-**	**-**	**9,888,381**	10,606,712	-	-	10,606,712
Total assets	**362,735,398**	**1,352,123**	**-**	**364,087,521**	328,883,173	4,647,902	35,478,027	369,009,102
Segment liabilities	**194,234,846**	**2,656,074**	**-**	**196,890,920**	179,763,730	2,670,753	20,603,995	203,038,478
Capital expenditure	**40,773,333**	**237,330**	**-**	**41,010,663**	50,606,524	771,343	332,014	51,709,881

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21 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2020			31 December 2019		
	Kuwait and GCC	**Europe**	**Total**	Kuwait and GCC	Europe	Total
	KD	**KD**	**KD**	KD	KD	KD
Revenue	**14,831,525**	**4,513,859**	**19,345,384**	28,262,928	16,355,780	44,618,708
Assets	**330,437,053**	**33,650,468**	**364,087,521**	312,013,715	56,995,387	369,009,102
Capital expenditure	**39,690,875**	**1,319,788**	**41,010,663**	49,033,742	2,676,139	51,709,881

22 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivatives financial instruments such as commercial financing, Islamic financing and account payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, bank balances, fixed deposits and financial assets at fair value through other comprehensive income.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors, Risk and Internal Audit Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its fixed deposits and commercial financing which are both at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between floating rate and fixed rate borrowings.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's floating rate financial instruments held at each reporting date. All other variables are held constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

	Increase/decrease in basis points	Effect on profit before KFAS, NLST, Zakat and Directors' fees KD
2020		
KD	**25**	**387,917**
Euro	**25**	**-**
GBP	**25**	**13,256**
2019		
KD	25	421,463
Euro	25	48,306
GBP	25	12,764

Sensitivity to interest rates movement will be on symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's exposure to foreign currency monetary assets and liabilities.

The following table demonstrates the sensitivity to changes in currency rates, with all other variables held constant:

	2020		2019	
Currency	**Change in currency rate in %**	**Effect on consolidated statement of income KD**	Change in currency rate in %	Effect on consolidated statement of income KD
Euro	**1%**	**8,769**	1%	(17,629)
GBP	**1%**	**(50,832)**	1%	(892)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities included in a portfolio of foreign investments (managed by foreign financial institutions) sensitive to recognised international indices.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets at fair value through other comprehensive income at 31 December 2020) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2020		2019	
Market indices	**Change in equity price %**	**Effect on other comprehensive income KD**	Change in equity price %	Effect on other comprehensive income KD
International	**+/-5**	**5,603**	+/-5	5,603

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counter-parties, and groups of counter-parties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

The Group's maximum exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	2020 KD	2019 KD
Bank balances (Note 6)	**3,304,681**	6,497,570
Fixed deposits	**2,060,000**	6,744,193
Accounts receivable (Note 7)	**1,435,783**	1,421,333
Due from related parties (Note 7)	**19,311**	742,765
Total exposure of credit risk	**6,819,775**	15,405,861

The Group is exposed to credit risk on its bank balances and fixed deposits, accounts receivable and amounts due from related parties.

Bank balances and fixed deposits

The credit risk exposure for bank balances and fixed deposits is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

Accounts receivable

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

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22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Accounts receivable (continued)

With respect to accounts receivable, an impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due and customer segments with similar loss patterns (i.e., product and customer type etc). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written-off if past due more than one year are not subject to enforcement activity and there is no possibility to recover these amounts in near future. The maximum exposure to credit risk at the reporting date is the carrying value of each accounts receivable. The Group does not have a policy to obtain collaterals against accounts receivable.

The table below provides information about the credit risk exposure on the Group's accounts receivable using a provision matrix

31 December 2020	**Accounts receivable**					
	Days past due					
	< 30 days	**30 to 60 days**	**60 to 90 days**	**90 to 120 days**	**120 to 365 days**	**Total**
	KD	**KD**	**KD**	**KD**	**KD**	**KD**
Estimated total gross carrying amount at default	**185,585**	**278,377**	**463,961**	**556,754**	**371,169**	**1,855,846**
Estimated credit loss	**126,019**	**126,019**	**84,012**	**42,006**	**42,006**	**420,062**
Expected credit loss rate	**68%**	**45%**	**18%**	**8%**	**11%**	**23%**

31 December 2019	Accounts receivable					
	Days past due					
	< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 to 365 days	Total
	KD	KD	KD	KD	KD	KD
Estimated total gross carrying amount at default	179,140	268,709	447,849	537,419	358,278	1,791,395
Estimated credit loss	55,509	74,012	55,509	74,012	111,020	370,062
Expected credit loss rate	31%	28%	12%	14%	31%	21%

Amounts due from related parties

Amounts due from related parties are considered to be fully recoverable by the management and thus the credit risk is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, commercial and Islamic financing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 and 31 December 2019 based on contractual undiscounted payments:

2020	**Within 3 months KD**	**3 to 6 months KD**	**6 to 12 months KD**	**Over one year KD**	**Total KD**
Due to banks and financial institution	**-**	**-**	**3,950,779**	**-**	**3,950,779**
Accounts payable and other liabilities	**4,294,481**	**2,570,043**	**4,912,608**	**22,060,182**	**33,837,314**
Commercial financing	**44,211**	**44,703**	**90,387**	**7,839,483**	**8,018,784**
Islamic financing	**1,415,816**	**1,423,602**	**2,859,670**	**163,662,793**	**169,361,881**
Lease liabilities	**215,380**	**215,380**	**215,380**	**1,938,423**	**2,584,563**
TOTAL LIABILITIES	**5,969,888**	**4,253,728**	**12,028,824**	**195,500,881**	**217,753,321**
Contingent liabilities	**-**	**-**	**66,844**	**-**	**66,844**
Capital commitments	**10,234,625**	**13,664,625**	**9,964,625**	**11,814,625**	**45,678,500**
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	**10,234,625**	**13,664,625**	**10,031,469**	**11,814,625**	**45,745,344**

2019	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Accounts payable and other liabilities	5,573,538	3,118,862	4,834,843	17,688,820	31,216,063
Commercial financing	439,156	439,156	879,592	45,515,926	47,273,830
Islamic financing	1,555,622	1,733,285	4,043,510	189,750,957	197,083,374
Lease liabilities	269,758	269,758	269,758	2,427,821	3,237,095
TOTAL LIABILITIES	7,838,074	5,561,061	10,027,703	255,383,524	278,810,362
Contingent liabilities	-	-	964,625	-	964,625
Capital commitments	15,675,881	12,389,946	32,977,850	28,956,323	90,000,000
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	15,675,881	12,389,946	33,942,475	28,956,323	90,964,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents, fixed deposits, accounts receivable and other assets, accounts payable and other liabilities, interest bearing loans and borrowings at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities was as follows:

2020 ASSETS	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Cash and bank balances	3,311,614	-	-	-	3,311,614
Fixed deposits	-	2,060,000	-	-	2,060,000
Inventories	198,803	-	-	-	198,803
Accounts receivables and other assets	2,174,662	1,934,009	1,827,433	2,817,047	8,753,151
Financial assets at fair value through other comprehensive income	-	-	112,050	7,167,679	7,279,729
Interest in joint venture	-	-	-	9,888,381	9,888,381
Right-of-use assets	88,847	88,847	177,694	187,644	543,032
Investment properties	-	-	-	299,261,578	299,261,578
Property and equipment	-	-	-	32,791,233	32,791,233
TOTAL ASSETS	5,773,926	4,082,856	2,117,177	352,113,562	364,087,521
LIABILITIES					
Due to banks and financial institution	-	-	3,950,779	-	3,950,779
Accounts payable and other liabilities	4,294,481	2,570,043	4,912,608	22,060,182	33,837,314
Commercial financing	-	-	-	7,302,278	7,302,278
Islamic financing	450,000	450,000	900,000	147,415,986	149,215,986
Lease liabilities	215,380	215,380	215,380	1,938,423	2,584,563
TOTAL LIABILITIES	4,959,861	3,235,423	9,978,767	178,716,869	196,890,920
NET ASSETS	814,065	847,433	(7,861,590)	173,396,693	167,196,601

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23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2019 ASSETS	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Cash and bank balances	6,617,854	-	-	-	6,617,854
Fixed deposits	-	6,744,193	-	-	6,744,193
Inventories	285,816	-	-	-	285,816
Accounts receivables and other assets	6,082,379	1,857,467	1,720,408	2,463,827	12,124,081
Financial assets at fair value through other comprehensive income	-	-	112,050	5,825,503	5,937,553
Interest in joint venture	-	-	-	10,606,712	10,606,712
Right-of-use assets	88,847	88,847	177,694	562,395	917,783
Investment properties	-	-	-	259,963,689	259,963,689
Property and equipment	-	-	-	65,811,421	65,811,421
TOTAL ASSETS	**13,074,896**	**8,690,507**	**2,010,152**	**345,233,547**	**369,009,102**
LIABILITIES					
Accounts payable and other liabilities	5,573,538	3,118,862	4,834,843	17,688,820	31,216,063
Commercial financing	262,346	264,101	533,515	28,868,000	29,927,962
Islamic financing	-	-	-	138,657,358	138,657,358
Lease liabilities	269,758	269,758	269,758	2,427,821	3,237,095
TOTAL LIABILITIES	6,105,642	3,652,721	5,638,116	187,641,999	203,038,478
NET ASSETS	6,969,254	5,037,786	(3,627,964)	157,591,548	165,970,624

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2020 KD	2019 KD
Letters of guarantee	**66,844**	964,625
Construction projects	**45,678,500**	90,000,000
	45,745,344	90,964,625

25 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, accounts payable and other liabilities, and commercial and Islamic financing, less cash and bank balances. Capital includes equity attributable to the equity holders of the Parent Company less fair value reserve.

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25 CAPITAL MANAGEMENT (continued)

	2020 KD	2019 KD
Accounts payable and other liabilities (excluding rents received in advance and employees' terminal benefits)	**22,585,521**	20,213,213
Term financing	**156,518,264**	168,585,319
Less: Cash and bank balances	**(3,311,614)**	(6,617,854)
Net debt	**175,792,171**	182,180,678
Equity attributable to the equity holders of the Parent Company	**167,174,621**	163,301,939
Less: Fair value reserve	**(450,596)**	(694,240)
Total capital	**166,724,025**	162,607,699
Capital and net debt	**342,516,196**	344,788,377
Gearing ratio	**51.32%**	52.84%

26 FAIR VALUES MEASUREMENTS

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

2020	**Level 1 KD**	**Level 3 KD**	**Total KD**
Financial assets at FVOCI:			
Managed quoted portfolios	**163,406**	**-**	**163,406**
Managed unquoted portfolio	**-**	**272,764**	**272,764**
Unquoted equity securities	**-**	**6,843,559**	**6,843,559**
	163,406	**7,116,323**	**7,279,729**

2019	Level 1	Level 3	Total
Financial assets available for sale	KD	KD	KD
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

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The table below analyses the movement in the financial instruments classified under level 3 of the fair value hierarchy.

Financial assets at fair value through other comprehensive income	**At the beginning of the period KD**	**Additions during the period KD**	**Change in fair value KD**	**At the end of the period KD**
31 December 2020	**5,825,503**	**1,534,463**	**(243,643)**	**7,116,323**
31 December 2019	4,988,292	-	837,211	5,825,503

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27 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 21,880,568 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.

28 IMPACT OF COVID-19 OUTBREAK

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The measures to slow the spread of Covid-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home , reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

As a result, the Group considered the impact of Covid-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas.

The currently known major impact of COVID-19 on the Group are:

- A decline in revenue from hotel and real estate operations for the year ended 31 December 2020 compared to the same period in 2019 by 57% due to severe travel restrictions and measures taken by the government to partially close hotels and commercial facilities for the public resulting in extremely low occupancy, loss of banquet, meeting, food and beverage revenue.
- Loss in rental revenue during the year amounting to KD 4.7 million.

Given the evolving nature of Covid-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

SALHIA