

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

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

**31 MARCH 2021**





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

Tel: +965 2295 5000  
Fax: +965 2245 6419  
kuwait@kw.ey.com  
ey.com/mena

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C.P.**

### **Report on the Interim Condensed Consolidated Financial Information**

#### ***Introduction***

We have reviewed the accompanying interim condensed consolidated statement of financial position of Salhia Real Estate Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) as at 31 March 2021, and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### ***Scope of Review***

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### ***Basis for Qualified Conclusion***

As at 31 March 2021, the interim condensed consolidated financial information includes amounts in respect of an investment in a joint venture based on management accounts, as reviewed interim financial information is not available in respect of this joint venture. The carrying value of the joint venture included in the interim condensed consolidated financial position amounted to KD 10,009,979 as at 31 March 2021 (31 December 2020: KD 9,888,381 and 31 March 2020: KD 10,566,877) and the share of the joint venture’s results net of tax for the three months period ended 31 March 2021 included in the interim condensed consolidated statement of profit or loss is a profit of KD 472,519 (31 March 2020: profit of KD 180,937). We were unable to obtain sufficient appropriate evidence about the carrying value of the investment in joint venture. Consequently, we were unable to determine whether any adjustment to this amount was necessary.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (continued)**

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

***Qualified Conclusion***

Based on our review, except for the matter described in the Basis of Qualified Conclusion in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, except for the matter described in the “Basis of Qualified Conclusion” above, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association during the three months period ended 31 March 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
(AL AIBAN, AL OSAIMI & PARTNERS)

4 May 2021  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 31 March 2021

	Notes	Three months ended	
		31 March	
		2021	2020
		KD	KD
Revenue		4,275,634	9,690,705
Operating costs		(1,156,314)	(4,796,938)
Gross profit		3,119,320	4,893,767
Share of joint venture's results, net of tax		472,519	180,937
General and administrative expenses		(1,030,605)	(1,324,686)
Depreciation		(893,563)	(1,397,507)
Sales and marketing expenses		(139,375)	(124,683)
Investment income		5,779	309,454
Foreign exchange loss		(2,083)	(8,072)
Interest income		6,623	42,670
Other income, net		227,006	57,280
Gain from sale of land	6	593,755	-
Finance costs		(81,130)	(253,628)
<b>PROFIT BEFORE TAXATION</b>		<b>2,278,246</b>	<b>2,375,532</b>
Taxation on overseas subsidiaries		(100,834)	(34,358)
<b>PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT</b>		<b>2,177,412</b>	<b>2,341,174</b>
KFAS		(19,734)	(23,681)
NLST		(49,336)	(59,204)
Zakat		(19,734)	(23,682)
<b>PROFIT FOR THE PERIOD</b>		<b>2,088,608</b>	<b>2,234,607</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		1,884,625	2,261,581
Non-controlling interests		203,983	(26,974)
		<b>2,088,608</b>	<b>2,234,607</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>3.8 fils</b>	<b>4.6 fils</b>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2021

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>
<b>Profit for the period</b>	<b>2,088,608</b>	2,234,607
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<b>1,350,913</b>	(775,563)
<b>Net other comprehensive income (loss) to be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods</b>	<b>1,350,913</b>	(775,563)
<i>Other comprehensive income that will not to be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</i>		
Changes in the fair value of equity instruments at fair value through other comprehensive income	<b>26,907</b>	-
<b>Net other comprehensive income not to be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods</b>	<b>26,907</b>	-
<b>Other comprehensive income (loss) for the period</b>	<b>1,377,820</b>	(775,563)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,466,428</b>	1,459,044
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>3,262,445</b>	1,486,018
Non-controlling interests	<b>203,983</b>	(26,974)
	<b>3,466,428</b>	1,459,044

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2021

		(Audited)	
	31 March	31 December	31 March
	2021	2020	2020
	KD	KD	KD
ASSETS	Notes		
Cash and cash equivalents	4	5,173,909	3,311,614
Fixed deposits		-	2,060,000
Inventories		201,772	198,803
Accounts receivable and other assets		7,959,398	8,753,151
Financial assets at fair value through other comprehensive income	5	7,306,636	7,279,729
Investment in a joint venture		10,009,979	9,888,381
Right-of-use assets		503,800	543,032
Investment properties	6	307,858,666	299,261,578
Property and equipment		33,039,784	32,791,233
<b>TOTAL ASSETS</b>		<b>372,053,944</b>	<b>364,087,521</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions		18,738,159	3,950,779
Lease liability		1,833,794	2,584,563
Accounts payable and other liabilities		34,277,457	33,837,314
Commercial financing	7	12,030,112	7,302,278
Islamic financing	7	150,170,802	149,215,986
<b>TOTAL LIABILITIES</b>		<b>217,050,324</b>	<b>196,890,920</b>
<b>EQUITY</b>			
Share capital	8	51,272,341	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	9	(5,770,357)	(5,000,616)
Treasury shares reserve	9	3,564,105	3,560,844
Statutory reserve		30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290
Retained earnings		33,861,209	46,869,513
Fair value reserve		477,503	450,596
Foreign currency translation reserve		(14,448,675)	(15,803,021)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>154,781,090</b>	<b>167,174,621</b>
Non-controlling interests		222,530	21,980
<b>TOTAL EQUITY</b>		<b>155,003,620</b>	<b>167,196,601</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>372,053,944</b>	<b>364,087,521</b>



Ghazi Fahad Alnafisi  
Chairman



Faisal Abdulmohsen Al-Khatrash  
Vice Chairman

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

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

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2021

*Equity attributable to equity holders of the Parent Company*

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Retained earnings KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Subtotal KD</i>	<i>Non-controlling interests KD</i>	<i>Total Equity KD</i>
Balance as at 1 January 2021 <i>(Audited)</i>	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
Profit for the period	-	-	-	-	-	-	1,884,625	-	-	1,884,625	203,983	2,088,608
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	26,907	1,354,346	1,381,253	(3,433)	1,377,820
Total comprehensive income for the period	-	-	-	-	-	-	1,884,625	26,907	1,354,346	3,265,878	200,550	3,466,428
Purchase of treasury shares	-	-	(773,761)	-	-	-	-	-	-	(773,761)	-	(773,761)
Sale of treasury shares	-	-	4,020	3,261	-	-	-	-	-	7,281	-	7,281
Dividends (Note 8)	-	-	-	-	-	-	(14,892,929)	-	-	(14,892,929)	-	(14,892,929)
<b>Balance as at 31 March 2021</b>	<b>51,272,341</b>	<b>35,055,163</b>	<b>(5,770,357)</b>	<b>3,564,105</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>33,861,209</b>	<b>477,503</b>	<b>(14,448,675)</b>	<b>154,781,090</b>	<b>222,530</b>	<b>155,003,620</b>
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 period	-	-	-	-	-	-	2,261,581	-	-	2,261,581	(26,974)	2,234,607
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(805,500)	(805,500)	29,937	(775,563)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,261,581	-	(805,500)	1,456,081	2,963	1,459,044
Purchase of treasury shares	-	-	(563,861)	-	-	-	-	-	-	(563,861)	-	(563,861)
Sale of treasury shares	-	-	575,897	271,810	-	-	-	-	-	847,707	-	847,707
Balance as at 31 March 2020	51,272,341	35,055,163	(5,182,350)	3,144,512	30,280,511	20,489,290	40,200,778	694,240	(10,912,619)	165,041,866	2,671,648	167,713,514

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

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 KD	2020 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		2,177,412	2,341,174
Adjustments to reconcile profit for the period before provision for contribution to KFAS, NLST and Zakat for the period to net cash flows:			
Share in joint venture's results, net of tax		(472,519)	(180,937)
Provision for employees' end of service benefits		156,964	192,161
Depreciation		893,563	1,397,507
Write-offs of property and equipment		(37,606)	-
Investment income		(5,779)	(309,454)
Gain from sale of land	6	(593,755)	-
Foreign exchange loss		2,083	8,072
Interest income		(6,623)	(42,670)
Finance costs		81,130	253,628
		<b>2,194,870</b>	<b>3,659,481</b>
Change in operating assets and liabilities:			
Inventories		(2,969)	(9,851)
Accounts receivable and other assets		793,753	(605,075)
Accounts payable and other liabilities		2,228,763	1,184,195
Cash from operations		<b>5,214,417</b>	<b>4,228,750</b>
Employees' end of service benefits paid		(5,481)	-
KFAS paid		(224,426)	(226,540)
Directors' remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		<b>4,864,510</b>	<b>3,882,210</b>
<b>INVESTING ACTIVITIES</b>			
Additions to investment properties	6	(9,885,783)	(12,593,480)
Additions to property and equipment		(854,363)	(298,144)
Proceeds from disposal of investment properties	6	1,647,855	-
Investment income received		5,779	309,454
Interest income received		6,623	42,670
Fixed deposits withdrawn (placed)		2,060,000	(3,902,778)
Net cash flows used in investing activities		<b>(7,019,889)</b>	<b>(16,442,278)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from commercial and Islamic financings obtained	7	5,709,002	5,192,371
Repayment of commercial and Islamic financings	7	(54,186)	(327,459)
Movement in due to banks and financial institutions		14,787,380	7,174,694
Finance costs paid		(81,130)	(253,628)
Dividends paid		(14,783,220)	-
Payment of lease liability		(790,431)	(224,590)
Purchase of treasury shares		(773,761)	(563,861)
Sale of treasury shares		4,020	847,707
Net cash flows from financing activities		<b>4,017,674</b>	<b>11,845,234</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,862,295</b>	<b>(714,834)</b>
Cash and cash equivalents at 1 January		3,311,614	6,617,854
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	4	<b>5,173,909</b>	<b>5,903,020</b>

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



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

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

As at and for the period ended 31 March 2021

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Salhia Real Estate Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively “the Group”) for the three months period ended 31 March 2021 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 4 May 2021.

On 3 March 2021, the ordinary general assembly of the shareholders of the Parent Company approved the consolidated financial statements of the Group for the year ended 31 December 2020 and approved the Board of Director’s proposal for distributing dividends to the shareholders.

The Group comprises Salhia Real Estate Company K.S.C.P. and its subsidiaries.

The Parent Company is a Public Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Kuwait Stock Exchange. Its registered office is located at Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

The Group’s main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and care home operation in Germany. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

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

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

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. Furthermore, results for the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2020.

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

#### 2.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these standards did not have material impact on the financial performance or financial position of the Group.

### 3 BASIC AND DILUTED EARNINGS PER SHARE

#### *Basic:*

Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

#### *Diluted:*

Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the period attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employee share option plan as at 31 March 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**3 BASIC AND DILUTED EARNINGS PER SHARE (continued)**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2021</u>	<u>2020</u>
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>1,884,625</b>	2,261,581
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>496,360,316</b>	495,547,254
Basic and diluted earnings per share	<b>3.8 fils</b>	4.6 fils

**4 CASH AND CASH EQUIVALENTS**

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash	<b>8,525</b>	6,933	37,483
Bank balances	<b>5,165,384</b>	3,304,681	5,865,537
Cash and cash equivalents	<b>5,173,909</b>	3,311,614	5,903,020

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

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Managed quoted portfolio	<b>194,531</b>	163,406	112,050
Managed unquoted portfolio	<b>268,546</b>	272,764	271,249
Unquoted equity securities	<b>6,843,559</b>	6,843,559	5,554,254
	<b>7,306,636</b>	7,279,729	5,937,553

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

**6 INVESTMENT PROPERTIES**

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January	<b>299,261,578</b>	259,963,689	259,963,689
Additions	<b>9,885,783</b>	40,471,908	12,593,480
Disposals*	<b>(1,054,100)</b>	-	-
Depreciation	<b>(312,584)</b>	(1,179,797)	(299,219)
Foreign currency translation adjustment	<b>77,989</b>	(612,019)	(490,111)
Impairment loss	<b>-</b>	617,797	-
	<b>307,858,666</b>	299,261,578	271,767,839

Investment properties with a carrying value of KD 155,792 (31 December 2020: KD 155,792 and 31 March 2020: 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.

During the period, Group have sold a land with a book value of KD 1,054,100 for a total consideration of GBP 3,920,000 (equivalent to KD: 1,647,855) which resulted in a gain of GBP 1,412,456 (equivalent to KD 593,755).

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

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

As at and for the period ended 31 March 2021

#### 7 COMMERCIAL AND ISLAMIC FINANCING

	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
At 1 January	<b>156,518,264</b>	168,585,320	168,585,320
Loans received	<b>5,709,002</b>	26,724,758	5,192,371
Loans repaid	<b>(54,186)</b>	(38,988,363)	(327,459)
Foreign currency translation adjustment	<b>27,834</b>	196,549	(203,675)
	<b><u>162,200,914</u></b>	<u>156,518,264</u>	<u>173,246,557</u>
		<i>(Audited)</i>	
	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>31 December</i> <i>2020</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
Commercial financing	<b>12,030,112</b>	7,302,278	31,979,669
Islamic financing	<b>150,170,802</b>	149,215,986	141,266,888
	<b><u>162,200,914</u></b>	<u>156,518,264</u>	<u>173,246,557</u>

Commercial financing denominated in Kuwaiti Dinar carries variable interest rates which range from 0.75% to 1% per annum (2020: 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 (2020: 2.6275% per annum).

Commercial financing amounting to KD 5,330,112 (31 December 2020: KD 5,302,278 and 31 March 2020 23,979,668) has been obtained by foreign subsidiaries.

The average profit rate attributable to Islamic financing during the years which range from 1% to 1.25% per annum (31 December 2020: 1% to 1.5% per annum and 31 March 2020: 1% to 1.5% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 150,170,802 (31 December 2020: KD 149,215,986 and 31 March 2020: KD 141,266,888) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 64,000,000 (31 December 2020: KD 64,000,000 and 31 March 2020: KD 61,000,000) is secured by an investment property with a carrying value of KD 71,794,141 (31 December 2020: KD 71,794,141 and 31 March 2020: KD 71,794,141). Under the terms of the liability.

#### 8 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 3 March 2021, the shareholders approved the distribution of cash dividends of 30 fils per share (2020: 25 fils per share) amounting to KD 14,892,929 for the year ended 31 December 2020 (2019: KD 12,382,345) to the registered shareholders as of the record date which is 3 April 2021, which is paid during the reporting period.

As at 31 March 2021, the authorized, issued and paid up capital comprises of 512,723,413 shares (31 December 2020: 512,723,413 shares and 31 March 2020: 512,723,413 shares) at 100 fils (31 December 2020: 100 fils and 31 March 2020: 100 fils) per share each and are fully paid in cash.

#### 9 TREASURY SHARES

At 31 March 2021, the Parent Company held 17,665,729 of its own shares (31 December 2020: 16,292,458 shares and 31 March 2020: 17,726,103 shares), equivalent to 3.45% (31 December 2020: 3.18% and 31 March 2020: 3.46%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 9,698,485 (31 December 2020: KD 8,162,521 and 31 March 2020: KD 6,585,658). Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

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

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

As at and for the period ended 31 March 2021

### 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. For financial instruments where there is no active market, the 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.

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- ▶ Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- ▶ Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

<b>31 March 2021</b>	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	194,531	-	194,531
Managed unquoted portfolio	-	268,546	268,546
Unquoted equity securities	-	6,843,559	6,843,559
	<b>194,531</b>	<b>7,112,105</b>	<b>7,306,636</b>
	<b>194,531</b>	<b>7,112,105</b>	<b>7,306,636</b>
31 December 2020 (Audited)	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
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
	163,406	7,116,323	7,279,729
31 March 2020	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	112,050	-	112,050
Managed unquoted portfolio	-	271,249	271,249
Unquoted equity securities	-	5,554,254	5,554,254
	112,050	5,825,503	5,937,553
	112,050	5,825,503	5,937,553

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

	<i>As at</i> <i>1 January</i> <i>2021</i> <i>KD</i>	<i>Change</i> <i>in fair value</i>	<i>As at</i> <i>31 March</i> <i>2021</i> <i>KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	7,116,323	(4,218)	7,112,105

During the period ended 31 March 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

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

Fair value of other financial instruments is not materially different from their carrying values at the reporting date.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

**11 SEGMENTAL INFORMATION**

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss as explained in the table below.

The Group has the following reportable segments:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**11 SEGMENTAL INFORMATION (continued)**

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

	<i>Three months ended 31 March 2021</i>				<i>Three months ended 31 March 2020</i>			
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>
Segment revenue	<b>4,126,400</b>	<b>149,234</b>	-	<b>4,275,634</b>	3,925,404	1,835,282	3,930,019	9,690,705
Segment operating costs	<b>(952,714)</b>	<b>(203,600)</b>	-	<b>(1,156,314)</b>	(931,413)	(820,580)	(3,044,945)	(4,796,938)
Segment gross profit	<b>3,173,686</b>	<b>(54,366)</b>	-	<b>3,119,320</b>	2,993,991	1,014,702	885,074	4,893,767
Share in joint venture's results, net of tax	<b>472,519</b>	-	-	<b>472,519</b>	180,937	-	-	180,937
Depreciation	<b>(720,959)</b>	<b>(172,604)</b>	-	<b>(893,563)</b>	(751,284)	(389,047)	(257,176)	(1,397,507)
Other operating expenses	<b>(1,009,289)</b>	<b>(160,691)</b>	-	<b>(1,169,980)</b>	(683,821)	(421,463)	(344,085)	(1,449,369)
Finance costs	<b>(79,864)</b>	<b>(1,266)</b>	-	<b>(81,130)</b>	(104,341)	(17,058)	(132,229)	(253,628)
Taxation on overseas subsidiaries	<b>(100,834)</b>	-	-	<b>(100,834)</b>	-	-	(34,358)	(34,358)
Segment results	<b>1,735,259</b>	<b>(388,927)</b>	-	<b>1,346,332</b>	1,635,482	187,134	117,226	1,939,842
Interest income				<b>6,623</b>				42,670
Investment income				<b>5,779</b>				309,454
Gain from sale of land				<b>593,755</b>				
Other non-operating income, (net)				<b>224,923</b>				49,208
KFAS, NLST and Zakat				<b>(88,804)</b>				(106,567)
<b>Profit for the period</b>				<b>2,088,608</b>				<b>2,234,607</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2021

**11 SEGMENTAL INFORMATION (continued)**

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

	<i>31 March 2021</i>				<i>31 December 2020 (Audited)</i>				<i>31 March 2020</i>			
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Total KD</i>
Total assets	<b>369,663,433</b>	<b>2,390,511</b>	-	<b>372,053,944</b>	362,735,398	1,352,123	-	364,087,521	343,902,765	4,473,061	35,418,116	383,793,942
Segment liabilities	<b>215,539,989</b>	<b>1,510,335</b>	-	<b>217,050,324</b>	194,234,846	2,656,074	-	196,890,920	192,496,985	2,855,765	20,727,678	216,080,428
Capital expenditure	<b>10,000,866</b>	<b>748,279</b>	-	<b>10,749,145</b>	40,773,333	237,330	-	41,010,663	12,691,950	138,289	61,385	12,891,624

---

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

As at and for the period ended 31 March 2021

**12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<b>31 March 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>31 March 2020 KD</b>
Letters of guarantee	<b>797,781</b>	66,844	964,625
Construction projects	<b>38,786,272</b>	45,678,500	49,769,060
	<b>39,584,053</b>	45,745,344	50,733,685

**13 RELATED PARTY TRANSACTIONS**

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

During the period, there were no transactions with related parties included in the interim condensed consolidated statement of profit or loss.

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

	<i>Parent Company KD</i>	<b>31 March 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>31 March 2020 KD</b>
Staff receivables*	7,617	<b>7,617</b>	25,522	50,570
Due from related parties*	-	-	19,311	818,209

\* Included in accounts receivable and other assets in the interim condensed consolidated statement of financial position.

**Compensation of key management personnel**

The remuneration of key management personnel of the Group during the period was as follows:

	<i>Three months ended 31 March</i>	
	<b>2021 KD</b>	<b>2020 KD</b>
Short-term benefits	<b>173,527</b>	183,184
Employees' end of service benefits	<b>98,221</b>	110,624
	<b>271,748</b>	293,808

**14 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.



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION  
(UNAUDITED)

As at and for the period ended 31 March 2021

**14 IMPACT OF COVID-19 OUTBREAK (continued)**

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 interim condensed consolidated financial information. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas.

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.

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.

All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com/mena](http://ey.com/mena)