

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

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

**30 JUNE 2021**



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

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

#### ***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 30 June 2021, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three months and six months period then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six 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***

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, it 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.

#### ***Conclusion***

Based on our review, 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 REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C.P.**

**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, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the six months period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



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

4 August 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 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 KD	2020 KD	2021 KD	2020 KD
Revenue		4,190,766	1,612,186	8,466,400	11,302,891
Operating costs		(1,209,708)	(1,139,320)	(2,366,022)	(5,936,258)
<b>Gross profit</b>		<b>2,981,058</b>	472,866	<b>6,100,378</b>	5,366,633
Share of joint venture's results, net of tax		(373,482)	(225,050)	99,036	(44,113)
General and administrative expenses		(800,563)	(690,019)	(1,831,168)	(2,014,705)
Depreciation		(923,849)	(1,241,235)	(1,817,412)	(2,638,742)
Sales and marketing expenses		(34,401)	(133,448)	(173,776)	(258,131)
Investment income		6,869	14,574	12,648	324,028
Foreign exchange gain (loss)		17,172	4,081	15,089	(3,991)
Interest income		78,011	26,611	84,634	69,281
Other income, net		330,371	(15,002)	557,377	42,278
Gain from sale of a subsidiary	4	-	21,880,794	-	21,880,794
Gain from sale of land	7	-	-	593,755	-
Impairment of investment properties		-	(1,100,000)	-	(1,100,000)
Finance costs		(131,345)	(89,882)	(212,475)	(343,510)
<b>PROFIT BEFORE TAXATION</b>		<b>1,149,841</b>	18,904,290	<b>3,428,086</b>	21,279,822
Taxation on overseas subsidiaries		23,657	(311)	(77,177)	(34,669)
<b>PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT</b>		<b>1,173,498</b>	18,903,979	<b>3,350,909</b>	21,245,153
KFAS		(13,784)	(189,178)	(33,518)	(212,859)
NLST		(34,459)	(472,944)	(83,795)	(532,148)
Zakat		(13,785)	(189,177)	(33,518)	(212,859)
<b>PROFIT FOR THE PERIOD</b>		<b>1,111,470</b>	18,052,680	<b>3,200,078</b>	20,287,287
<b>Attributable to:</b>					
Equity holders of the Parent Company		1,316,347	18,066,458	3,200,972	20,328,039
Non-controlling interests		(204,877)	(13,778)	(894)	(40,752)
		<b>1,111,470</b>	18,052,680	<b>3,200,078</b>	20,287,287
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>2.7 fils</b>	36.6 fils	<b>6.5 fils</b>	41.1 fils

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2021

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>1,111,470</b>	18,052,680	<b>3,200,078</b>	20,287,287
<b>Other comprehensive loss</b>				
<i>Other comprehensive 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	(1,616,384)	(6,623,009)	(265,471)	(7,398,572)
	(1,616,384)	(6,623,009)	(265,471)	(7,398,572)
<i>Other comprehensive (loss) income that will not 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	732	-	27,639	-
	732	-	27,639	-
<b>Other comprehensive loss for the period</b>	<b>(1,615,652)</b>	(6,623,009)	<b>(237,832)</b>	(7,398,572)
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(504,182)</b>	11,429,671	<b>2,962,246</b>	12,888,715
<b>Attributable to:</b>				
Equity holders of the Parent Company	(347,547)	13,982,648	2,914,898	15,438,729
Non-controlling interests	(156,635)	(2,552,977)	47,348	(2,550,014)
	<b>(504,182)</b>	11,429,671	<b>2,962,246</b>	12,888,715

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

		<i>(Audited)</i>	
	<i>Notes</i>	<i>30 June 2021 KD</i>	<i>31 December 2020 KD</i>
		<i>30 June 2020 KD</i>	
<b>ASSETS</b>			
Cash and cash equivalents	5	2,442,679	3,311,614
Fixed deposits		-	2,060,000
Inventories		203,464	198,803
Accounts receivable and other assets		7,441,906	8,753,151
Financial assets at fair value through other comprehensive income	6	7,307,368	7,279,729
Investment in a joint venture		9,858,736	9,888,381
Right-of-use assets		428,424	543,032
Investment properties	7	318,390,020	299,261,578
Property and equipment		32,654,241	32,791,233
<b>TOTAL ASSETS</b>		<b>378,726,838</b>	<b>364,087,521</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions		12,796,398	3,950,779
Lease liabilities		1,581,929	2,584,563
Accounts payable and other liabilities		36,438,807	33,837,314
Commercial financing	8	17,554,176	7,302,278
Islamic financing	8	155,794,190	149,215,986
<b>TOTAL LIABILITIES</b>		<b>224,165,500</b>	<b>196,890,920</b>
<b>EQUITY</b>			
Share capital	9	51,272,341	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	10	(6,044,517)	(5,000,616)
Treasury shares reserve	10	3,900,165	3,560,844
Statutory reserve		30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290
Retained earnings		35,177,556	46,869,513
Fair value reserve		478,235	450,596
Foreign currency translation reserve		(16,116,734)	(15,803,021)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>154,492,010</b>	<b>167,174,621</b>
Non-controlling interests		69,328	21,980
<b>TOTAL EQUITY</b>		<b>154,561,338</b>	<b>167,196,601</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>378,726,838</b>	<b>364,087,521</b>



Ghazi Fahad Alnafisi  
Chairman

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

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

For the period ended 30 June 2021

*Equity attributable to equity holders of the Parent Company*

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings KD	Fair value reserve KD	Foreign currency translation reserve KD	Subtotal KD	Non-controlling interests KD	Total Equity KD
Balance as at 1 January 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 (loss) for the period	-	-	-	-	-	-	3,200,972	-	-	3,200,972	(894)	3,200,078
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	27,639	(313,713)	(286,074)	48,242	(237,832)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	3,200,972	27,639	(313,713)	2,914,898	47,348	2,962,246
Purchase of treasury shares	-	-	(1,706,961)	-	-	-	-	-	-	(1,706,961)	-	(1,706,961)
Sale of treasury shares	-	-	663,060	339,321	-	-	-	-	-	1,002,381	-	1,002,381
Dividends (Note 9)	-	-	-	-	-	-	(14,892,929)	-	-	(14,892,929)	-	(14,892,929)
<b>Balance as at 30 June 2021</b>	<b>51,272,341</b>	<b>35,055,163</b>	<b>(6,044,517)</b>	<b>3,900,165</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>35,177,556</b>	<b>478,235</b>	<b>(16,116,734)</b>	<b>154,492,010</b>	<b>69,328</b>	<b>154,561,338</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	-	-	-	-	-	-	20,328,039	-	-	20,328,039	(40,752)	20,287,287
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(4,889,310)	(4,889,310)	(2,509,262)	(7,398,572)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	20,328,039	-	(4,889,310)	15,438,729	(2,550,014)	12,888,715
Purchase of treasury shares	-	-	(798,567)	-	-	-	-	-	-	(798,567)	-	(798,567)
Sale of treasury shares	-	-	584,885	273,530	-	-	-	-	-	858,415	-	858,415
Dividends (Note 9)	-	-	-	-	-	-	(12,382,345)	-	-	(12,382,345)	-	(12,382,345)
Balance as at 30 June 2020	51,272,341	35,055,163	(5,408,068)	3,146,232	30,280,511	20,489,290	45,884,891	694,240	(14,996,429)	166,418,171	118,671	166,536,842

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

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

For the period ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 KD	2020 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		3,350,909	21,245,153
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		(99,036)	44,113
Provision for employees' end of service benefits		338,605	373,938
Depreciation		1,817,412	2,638,742
Write-offs of investment properties		-	1,100,000
Investment income		(12,648)	(324,028)
Gain from sale of land	7	(593,755)	-
Foreign exchange (gain) loss		(15,089)	3,991
Interest income		(84,634)	(69,281)
Finance costs		212,475	343,510
		<u>4,914,239</u>	<u>25,356,138</u>
Change in operating assets and liabilities:			
Inventories		(4,661)	75,080
Accounts receivable and other assets		1,311,244	(1,172,806)
Accounts payable and other liabilities		3,885,385	(2,773,685)
		<u>10,106,207</u>	<u>21,484,727</u>
Cash from operations			
Employees' end of service benefits paid		(314,287)	(131,866)
KFAS paid		(224,426)	(226,540)
Directors' remuneration paid		(120,000)	(120,000)
		<u>9,447,494</u>	<u>21,006,321</u>
Net cash flows from operating activities			
<b>INVESTING ACTIVITIES</b>			
Net movement in advance payments to contractors		(1,142,469)	705,078
Additions to investment properties	7	(20,707,491)	(22,616,057)
Additions to property and equipment		(992,716)	(557,497)
Proceeds from disposal of investment properties	7	1,647,855	-
Investment income received		12,648	324,028
Interest income received		84,634	69,281
Fixed deposits withdrawn		2,060,000	4,537,193
		<u>(19,037,539)</u>	<u>(17,537,974)</u>
Net cash flows used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Proceeds from commercial and Islamic financings obtained	8	16,839,952	14,363,725
Repayment of commercial and Islamic financings	8	(61,748)	(19,405,074)
Movement in due to banks and financial institutions		8,845,619	10,730,281
Finance costs paid		(212,475)	(343,510)
Dividends paid		(14,828,371)	(12,382,345)
Payment of lease liability		(1,157,287)	(264,252)
Purchase of treasury shares		(1,706,961)	(798,567)
Sale of treasury shares		1,002,381	858,415
		<u>8,721,110</u>	<u>(7,241,327)</u>
Net cash flows from (used in) financing activities			
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(868,935)</u>	<u>(3,772,980)</u>
Cash and cash equivalents at 1 January		3,311,614	6,617,854
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	5	<u>2,442,679</u>	<u>2,844,874</u>

The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.



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

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

As at and for the period ended 30 June 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 six months period ended 30 June 2021 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 4 August 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 (Note 9).

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.

On 12 May 2021, the Parent Company acquired the remaining shares from Simons Developments LTD in Lolworth Development LTD and Wilford Lane Development LTD (together the “Subsidiaries”) for a consideration of GBP 1 and the settlement of loan due from Simons Developments LTD with an amount of GBP 450,000. As a result, the Parent Company’s direct ownership increased from 51% to 100% in the Subsidiaries and an amount of KD 212,990 is recorded as a gain on bargain purchase under other income in the interim condensed consolidation statement of profit or loss.

### 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 six months period ended 30 June 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.

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

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

As at and for the period ended 30 June 2021

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

The Parent Company does not have outstanding share options under the employee share option plan as at 30 June 2021.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>1,316,347</b>	18,066,458	<b>3,200,972</b>	20,328,039
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>495,840,945</b>	494,047,510	<b>495,403,480</b>	495,096,297
Basic and diluted earnings per share	<b>2.7 fils</b>	36.6 fils	<b>6.5 fils</b>	41.1 fils

#### 4 GAIN FROM SALE OF SUBSIDIARY

During the prior year, the Parent Company sold 80.41% of one of its major subsidiaries in Germany resulting in a decrease in its effective ownership from 90.89% to 10.48% for a total consideration of EUR 81,801,562 (KD 28,398,230). This has resulted in a gain of KD 21,880,794 recognised in profit or loss for the period ended 30 June 2020. 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.

#### 5 CASH AND CASH EQUIVALENTS

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<b>2021</b>	<b>31 December</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Cash on hand	<b>6,094</b>	6,933	7,143
Bank balances	<b>2,436,585</b>	3,304,681	2,837,731
Cash and cash equivalents	<b>2,442,679</b>	3,311,614	2,844,874

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

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<b>2021</b>	<b>31 December</b>	<b>2020</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Managed quoted portfolio	<b>195,263</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	8,204,973
	<b>7,307,368</b>	7,279,729	8,588,272

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

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

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

As at and for the period ended 30 June 2021

#### 7 INVESTMENT PROPERTIES

	<b>30 June 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>30 June 2020 KD</b>
As at 1 January	<b>299,261,578</b>	259,963,689	259,963,689
Additions	<b>20,707,491</b>	40,471,908	22,616,057
Disposals*	<b>(1,057,059)</b>	-	-
Depreciation	<b>(646,270)</b>	(1,179,797)	(578,146)
Foreign currency translation adjustment	<b>124,280</b>	(612,019)	(579,072)
Impairment loss	-	617,797	(1,100,000)
	<b><u>318,390,020</u></b>	<u>299,261,578</u>	<u>280,322,528</u>

Investment properties with a carrying value of KD 155,792 (31 December 2020: KD 155,792 and 30 June 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 has 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).

#### 8 COMMERCIAL AND ISLAMIC FINANCING

	<b>30 June 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>30 June 2020 KD</b>
At 1 January	<b>156,518,264</b>	168,585,320	168,585,320
Loans received	<b>16,839,952</b>	26,724,758	14,363,725
Loans repaid	<b>(61,748)</b>	(38,988,363)	(19,405,074)
Foreign currency translation adjustment	<b>51,898</b>	196,549	(243,329)
	<b><u>173,348,366</u></b>	<u>156,518,264</u>	<u>163,300,642</u>
	<b>17,554,176</b>	7,302,278	21,862,400
Commercial financing	<b>155,794,190</b>	149,215,986	141,438,242
Islamic financing	<b><u>173,348,366</u></b>	<u>156,518,264</u>	<u>163,300,642</u>

Commercial financing denominated in Kuwaiti Dinar carries variable interest rates which range from 0.75% to 1% per annum (31 December 2020: 0.75% to 1% per annum and 30 June 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 (31 December 2020: 2.6275% per annum and 30 June 2020: 2.6275% per annum).

Commercial financing amounting to KD 5,354,176 (31 December 2020: KD 5,302,278 and 30 June 2020: KD 4,862,400) 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 30 June 2020: 1% to 1.25 per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 155,794,190 (31 December 2020: KD 149,215,986 and 30 June 2020: KD 141,438,242) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 64,500,000 (31 December 2020: KD 64,000,000 and 30 June 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 30 June 2020: KD 71,794,141).

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

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

As at and for the period ended 30 June 2021

#### 9 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: 20 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 30 June 2021, the authorized, issued and paid up capital comprises of 512,723,413 shares (31 December 2020: 512,723,413 shares and 30 June 2020: 512,723,413 shares) at 100 fils (31 December 2020: 100 fils and 30 June 2020: 100 fils) per share each and are fully paid in cash.

#### 10 TREASURY SHARES

At 30 June 2021, the Parent Company held 17,520,707 of its own shares (31 December 2020: 16,292,458 shares and 30 June 2020: 18,350,497 shares), equivalent to 3.42% (31 December 2020: 3.18% and 30 June 2020: 3.58%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 9,058,206 (31 December 2020: KD 8,162,521 and 30 June 2020: KD 7,046,591). Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

#### 11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. For financial instruments where there is no active market, the 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>30 June 2021</b>	<i>Level 1</i>	<i>Level 3</i>	<i>Total</i>
<i>Assets measured at fair value</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	195,263	-	195,263
Managed unquoted portfolio	-	268,546	268,546
Unquoted equity securities	-	6,843,559	6,843,559
	<u>195,263</u>	<u>7,112,105</u>	<u>7,307,368</u>
	<u>195,263</u>	<u>7,112,105</u>	<u>7,307,368</u>
	<i>Level 1</i>	<i>Level 3</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 December 2020 (Audited)			
<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
	<u>163,406</u>	<u>7,116,323</u>	<u>7,279,729</u>
	<u>163,406</u>	<u>7,116,323</u>	<u>7,279,729</u>

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

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

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

30 June 2020	Level 1	Level 3	Total
<i>Assets measured at fair value</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	112,050	-	112,050
Managed unquoted portfolio	-	271,249	271,249
Unquoted equity securities	-	8,204,973	8,204,973
	<u>112,050</u>	<u>8,476,222</u>	<u>8,588,272</u>

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>Change</i>	<i>As at</i>
	<i>1 January</i>	<i>in fair value</i>	<i>30 June</i>
	<i>2021</i>		<i>2021</i>
	<i>KD</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 30 June 2021, there were no transfers between Level 1 and Level 2 fair value measurements.

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

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

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

#### 12 SEGMENTAL INFORMATION

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

The Group has the following reportable segments:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

12 SEGMENTAL INFORMATION (continued)

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

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD
Segment revenue	8,114,880	351,520	-	5,238,209	2,099,177	3,965,505
Segment operating costs	(1,916,215)	(449,807)	-	(1,816,829)	(1,046,990)	(3,072,439)
Segment gross profit	6,198,665	(98,287)	-	3,421,380	1,052,187	893,066
Share in joint venture's results, net of tax	99,036	-	-	(44,113)	-	-
Gain from sale of land	593,755	-	-	-	-	-
Depreciation	(1,469,918)	(347,494)	-	(1,503,012)	(876,232)	(259,498)
Other operating expenses	(1,689,360)	(315,584)	-	(1,277,731)	(647,913)	(347,192)
Finance costs	(210,525)	(1,950)	-	(193,153)	(16,934)	(133,423)
Taxation on overseas subsidiaries	(77,177)	-	-	-	-	(34,669)
Segment results	3,444,476	(763,315)	-	403,371	(488,894)	118,284
Interest income						32,763
Investment income						69,281
Gain from sale of a subsidiary						324,028
Impairment of investment properties						21,880,794
Other non-operating income, (net)						(1,100,000)
KFAS, NLSST and Zakat						38,287
<b>Profit for the period</b>						<b>(957,866)</b>
						<b>20,287,287</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 30 June 2021

**12 SEGMENTAL INFORMATION (continued)**

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

	30 June 2021			31 December 2020 (Audited)			30 June 2020					
	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD	Real estate operations KD	Hotel operations KD	Care home operations KD			
										Total KD	Total KD	Total KD
Total assets	376,187,864	2,538,974	-	378,726,838	362,735,398	1,352,123	-	364,087,521	376,555,537	3,774,588	-	380,330,125
Segment liabilities	221,620,341	2,545,159	-	224,165,500	194,234,846	2,656,074	-	196,890,920	211,345,808	2,447,475	-	213,793,283
Capital expenditure	20,813,009	887,198	-	21,700,207	40,773,333	237,330	-	41,010,663	22,724,467	141,000	-	22,865,467

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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**13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<b>30 June 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>30 June 2020 KD</b>
Letters of guarantee	864,625	66,844	964,625
Construction projects	<b>54,321,025</b>	45,678,500	42,547,316
	<b><u>55,185,650</u></b>	<b><u>45,745,344</u></b>	<b><u>43,511,941</u></b>

**14 RELATED PARTY TRANSACTIONS**

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

During the period, there were no transactions with related parties included in the interim condensed consolidated statement of 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>30 June 2021 KD</b>	<i>(Audited)</i> <b>31 December 2020 KD</b>	<b>30 June 2020 KD</b>
Staff receivables*	7,116	<b>7,116</b>	25,522	9,437
Due from related parties*	-	-	19,311	-

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

**Compensation of key management personnel**

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<b>2021 KD</b>	<b>2020 KD</b>	<b>2021 KD</b>	<b>2020 KD</b>
Short-term benefits	149,813	167,037	323,340	350,221
Employees' end of service benefits	<b>40,148</b>	45,800	<b>138,369</b>	156,424
	<b><u>189,961</u></b>	<b><u>212,837</u></b>	<b><u>461,709</u></b>	<b><u>506,645</u></b>

**15 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.



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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION  
(UNAUDITED)

As at and for the period ended 30 June 2021

**15 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.