

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

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

30 SEPTEMBER 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 September 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 nine-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International 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

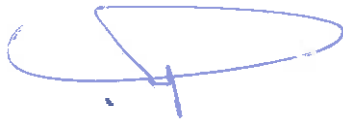
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

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

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 nine months period ended 30 September 2021 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 review, to the best of our knowledge and belief, 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 nine months period ended 30 September 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)

10 November 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 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 KD	2020 KD	2021 KD	2020 KD
Revenue		5,239,526	3,928,554	13,705,926	15,231,445
Operating costs		(999,766)	(991,786)	(3,365,788)	(6,928,044)
Gross profit		4,239,760	2,936,768	10,340,138	8,303,401
Share of joint venture's results, net of tax		178,413	188,093	277,449	143,980
General and administrative expenses		(1,112,149)	(860,593)	(2,943,317)	(2,875,298)
Depreciation and amortization		(877,203)	(1,286,354)	(2,694,615)	(3,925,096)
Sales and marketing expenses		(42,071)	(30,908)	(215,847)	(289,039)
Investment (loss) income		(548)	(10,013)	12,100	314,015
Foreign exchange gain (loss)		3,057	(1,035)	18,146	(5,026)
Interest (expense) income		(77,982)	93	6,652	69,374
Other (expenses) income, net		(20,018)	74,699	537,359	116,977
Gain from sale of a subsidiary	4	-	-	-	21,880,794
Gain from sale of lands	7	768,687	-	1,362,442	-
Impairment of investment properties		-	-	-	(1,100,000)
Finance costs		(176,112)	(79,583)	(388,587)	(423,093)
PROFIT BEFORE TAXATION		2,883,834	931,167	6,311,920	22,210,989
Taxation on overseas subsidiaries		(116,724)	(741)	(193,901)	(35,410)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT		2,767,110	930,426	6,118,019	22,175,579
KFAS		(27,709)	(9,411)	(61,227)	(222,270)
NLST		(69,274)	(23,527)	(153,069)	(555,675)
Zakat		(27,709)	(9,411)	(61,227)	(222,270)
PROFIT FOR THE PERIOD		2,642,418	888,077	5,842,496	21,175,364
Attributable to:					
Equity holders of the Parent Company		2,646,252	898,739	5,847,224	21,226,778
Non-controlling interests		(3,834)	(10,662)	(4,728)	(51,414)
		2,642,418	888,077	5,842,496	21,175,364
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	5.33 fils	1.8 fils	11.80 fils	42.9 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 September 2021

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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>
Profit for the period	2,642,418	888,077	5,842,496	21,175,364
Other comprehensive income (loss)				
<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	561,997	1,427,862	296,526	(5,970,710)
	<u>561,997</u>	<u>1,427,862</u>	<u>296,526</u>	<u>(5,970,710)</u>
<i>Other comprehensive 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	-	-	27,639	-
	<u>-</u>	<u>-</u>	<u>27,639</u>	<u>-</u>
Other comprehensive income (loss) for the period	561,997	1,427,862	324,165	(5,970,710)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,204,415	2,315,939	6,166,661	15,204,654
Attributable to:				
Equity holders of the Parent Company	3,202,730	2,331,893	6,117,628	17,770,622
Non-controlling interests	1,685	(15,954)	49,033	(2,565,968)
	<u>3,204,415</u>	<u>2,315,939</u>	<u>6,166,661</u>	<u>15,204,654</u>

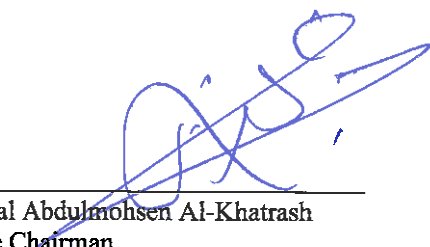
The attached notes 1 to 15 form an integral part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2021

		<i>(Audited)</i>		
		<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>Notes</i>	<i>2021</i>	<i>2020</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS				
Cash on hand and at banks	5	1,655,592	3,311,614	2,563,704
Fixed deposits		-	2,060,000	1,850,000
Inventories		195,174	198,803	208,079
Accounts receivable and other assets		10,027,820	8,753,151	11,265,661
Financial assets at fair value through other comprehensive income	6	7,307,368	7,279,729	8,590,193
Investment in a joint venture		9,725,384	9,888,381	11,162,133
Right-of-use assets		307,070	543,032	617,417
Investment properties	7	323,803,033	299,261,578	288,184,794
Property and equipment		32,264,037	32,791,233	33,294,849
TOTAL ASSETS		385,285,478	364,087,521	357,736,830
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institutions		9,311,228	3,950,779	3,399,006
Lease liabilities		1,521,576	2,584,563	3,066,226
Accounts payable and other liabilities		35,785,068	33,837,314	33,774,508
Commercial financing	8	17,909,152	7,302,278	7,057,408
Islamic financing	8	162,956,250	149,215,986	141,396,980
TOTAL LIABILITIES		227,483,274	196,890,920	188,694,128
EQUITY				
Share capital	9	51,272,341	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	10	(6,110,025)	(5,000,616)	(5,347,238)
Treasury shares reserve		4,002,124	3,560,844	3,275,323
Statutory reserve		30,280,511	30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		37,823,808	46,869,513	46,783,630
Fair value reserve		478,235	450,596	694,240
Foreign currency translation reserve		(15,560,256)	(15,803,021)	(13,563,275)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		157,731,191	167,174,621	168,939,985
Non-controlling interests		71,013	21,980	102,717
TOTAL EQUITY		157,802,204	167,196,601	169,042,702
TOTAL LIABILITIES AND EQUITY		385,285,478	364,087,521	357,736,830


Faisal Abdulmohsen Al-Khatrash
Vice Chairman

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 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 (Audited)	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	-	-	-	-	-	-	5,847,224	-	-	5,847,224	(4,728)	5,842,496
Other comprehensive income for the period	-	-	-	-	-	-	-	27,639	242,765	270,404	53,761	324,165
Total comprehensive income for the period	-	-	-	-	-	-	5,847,224	27,639	242,765	6,117,628	49,033	6,166,661
Purchase of treasury shares	-	-	(1,977,597)	-	-	-	-	-	-	(1,977,597)	-	(1,977,597)
Sale of treasury shares	-	-	868,188	441,280	-	-	-	-	-	1,309,468	-	1,309,468
Dividends (Note 9)	-	-	-	-	-	-	(14,892,929)	-	-	(14,892,929)	-	(14,892,929)
Balance as at 30 September 2021	51,272,341	35,055,163	(6,110,025)	4,002,124	30,280,511	20,489,290	37,823,808	478,235	(15,560,256)	157,731,191	71,013	157,802,204
Balance as at 1 January 2020 (Audited)	51,272,341	35,055,163	(5,194,386)	2,872,702	30,280,511	20,489,290	37,939,197	694,240	(10,107,119)	163,301,939	2,668,685	165,970,624
Profit (loss) for the period	-	-	-	-	-	-	21,226,778	-	(3,456,156)	21,226,778	(51,414)	21,175,364
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(3,456,156)	(2,514,554)	(5,970,710)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	21,226,778	-	(3,456,156)	17,770,622	(2,565,968)	15,204,654
Purchase of treasury shares	-	-	(1,110,416)	-	-	-	-	-	-	(1,110,416)	-	(1,110,416)
Sale of treasury shares	-	-	957,564	402,621	-	-	-	-	-	1,360,185	-	1,360,185
Dividends (Note 9)	-	-	-	-	-	-	(12,382,345)	-	-	(12,382,345)	-	(12,382,345)
Balance as at 30 September 2020	51,272,341	35,055,163	(5,347,238)	3,275,323	30,280,511	20,489,290	46,783,630	694,240	(13,563,275)	168,939,985	102,717	169,042,702

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 September 2021

	Notes	Nine months ended 30 September	
		2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		6,118,019	22,175,579
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		(277,449)	(143,980)
Provision for employees' end of service benefits		412,253	507,059
Depreciation and amortization		2,694,615	3,925,096
Investment income		(12,100)	(314,015)
Foreign exchange (gain) loss		(18,146)	5,026
Interest income		(6,652)	(69,374)
Gain from sale of property and equipment		(2,398)	-
Gain from sale of a subsidiary	4	-	(21,880,794)
Gain from sale of lands	7	(1,362,442)	-
Impairment of investment properties		-	1,100,000
Finance costs		388,587	423,093
		7,934,287	5,727,690
Change in operating assets and liabilities:			
Inventories		3,629	77,737
Accounts receivable and other assets		(643,820)	(279,837)
Accounts payable and other liabilities		3,933,149	4,578,752
Net of effect from disposal of a subsidiary		-	12,855,384
Cash from operations		11,227,245	22,959,726
Employees' end of service benefits paid		(525,816)	(660,249)
KFAS paid		(224,426)	(226,540)
NLST paid		(561,064)	(566,350)
Zakat paid		(224,426)	(226,540)
Directors' remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		9,571,513	21,160,047
INVESTING ACTIVITIES			
Net movement in advance payments to contractors		1,359,476	1,138,257
Additions to investment properties	7	(27,926,378)	(30,280,390)
Additions to property and equipment		(1,044,020)	(318,719)
Proceeds from disposal of investment properties		1,571,832	28,398,230
Proceeds from disposal of property and equipment		42,219	-
Investment income received		12,100	314,015
Interest income received		6,652	69,374
Net movement on fixed deposits		2,060,000	4,894,193
Net cash flows (used in) from investing activities		(23,918,119)	4,214,960
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings	8	24,610,805	18,853,085
Repayment of commercial and Islamic financings	8	(170,540)	(38,935,696)
Movement in due to banks and financial institutions		5,360,449	3,399,006
Finance costs paid		(388,587)	(423,093)
Dividends paid		(14,821,031)	(11,998,738)
Payment of lease liability		(1,232,383)	(170,869)
Purchase of treasury shares		(1,977,597)	(1,084,137)
Proceeds from sale of treasury shares		1,309,468	931,285
Net cash flows from (used in) financing activities		12,690,584	(29,429,157)
NET DECREASE IN CASH ON HAND AND AT BANKS		(1,656,022)	(4,054,150)
Cash on hands and at banks at 1 January		3,311,614	6,617,854
CASH ON HAND AND AT BANKS AT 30 SEPTEMBER	5	1,655,592	2,563,704

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 September 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 nine months period ended 30 September 2021 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 10 November 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, development of commercial properties, hotels 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 nine months period ended 30 September 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 September 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 September 2021.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>2,646,252</u>	<u>898,739</u>	<u>5,847,224</u>	<u>21,226,778</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>496,655,097</u>	<u>494,469,871</u>	<u>495,406,795</u>	<u>494,394,357</u>
Basic and diluted earnings per share	<u>5.33 fils</u>	<u>1.8 fils</u>	<u>11.80 fils</u>	<u>42.9 fils</u>

4 GAIN FROM SALE OF A 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 interim condensed consolidated statement of profit or loss for the period ended 30 September 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 ON HAND AND AT BANKS

	<i>30 September</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 September</i> <i>2020</i> <i>KD</i>
	Cash on hand	8,780	6,933
Bank balances	<u>1,646,812</u>	<u>3,304,681</u>	<u>2,555,154</u>
	<u>1,655,592</u>	<u>3,311,614</u>	<u>2,563,704</u>

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 September</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 September</i> <i>2020</i> <i>KD</i>
	Managed quoted portfolio	195,263	163,406
Managed unquoted portfolio	268,546	272,764	271,249
Unquoted equity securities	<u>6,843,559</u>	<u>6,843,559</u>	<u>8,206,894</u>
	<u>7,307,368</u>	<u>7,279,729</u>	<u>8,590,193</u>

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 September 2021

7 INVESTMENT PROPERTIES

	<i>30 September</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 September</i> <i>2020</i> <i>KD</i>
As at 1 January	299,261,578	259,963,689	259,963,689
Additions	27,926,378	40,471,908	30,280,390
Disposals*	(2,199,714)	-	-
Depreciation	(927,257)	(1,179,797)	(897,542)
Foreign currency translation adjustment	(257,952)	(612,019)	(61,743)
Impairment loss	-	617,797	(1,100,000)
	<u>323,803,033</u>	<u>299,261,578</u>	<u>288,184,794</u>

Investment properties with a carrying value of KD 155,792 (31 December 2020: KD 155,792 and 30 September 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 these properties.

*During the period ended 30 September 2021, one of the Group's subsidiary sold lands with total carrying value of GBP 5,250,666 (equivalent to KD 2,199,714) for a total consideration of GBP 8,502,790 (equivalent to KD: 3,562,156) which resulted in a gain of GBP 3,252,124 (equivalent to KD 1,362,442) which is recognised in interim condensed consolidated statement of profit or loss.

8 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 September</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30</i> <i>September</i> <i>2020</i> <i>KD</i>
At 1 January	156,518,264	168,585,320	168,585,320
Loans received	24,610,805	26,724,758	18,853,085
Loans repaid	(170,540)	(38,988,363)	(38,935,696)
Foreign currency translation adjustment	(93,127)	196,549	(48,321)
	<u>180,865,402</u>	<u>156,518,264</u>	<u>148,454,388</u>
	<i>30 September</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30</i> <i>September</i> <i>2020</i> <i>KD</i>
Commercial financing	17,909,152	7,302,278	7,057,408
Islamic financing	162,956,250	149,215,986	141,396,980
	<u>180,865,402</u>	<u>156,518,264</u>	<u>148,454,388</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 September 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 September 2020: 2.6275% per annum).

Commercial financing amounting to KD 5,209,152 (31 December 2020: KD 5,302,278 and 30 September 2020: KD 5,057,408) has been obtained by foreign subsidiaries.

The average profit rate attributable to Islamic financing during the period which range from 1% to 1.25% per annum (31 December 2020: 1% to 1.25% per annum and 30 September 2020: 1% to 1.25% per annum) over the Central Bank of Kuwait discount rate.

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8 COMMERCIAL AND ISLAMIC FINANCING (continued)

Islamic financing amounting to KD 161,456,250 (31 December 2020: KD 149,215,986 and 30 September 2020: KD 141,396,980) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 66,000,000 (31 December 2020: KD 64,000,000 and 30 September 2020: KD 62,000,000) is secured by an investment property with a carrying value of KD 71,794,141 (31 December 2020: KD 71,794,141 and 30 September 2020: KD 71,794,141).

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 (2019: 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.

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

10 TREASURY SHARES

At 30 September 2021, the Parent Company held 17,433,978 of its own shares (31 December 2020: 16,292,458 shares and 30 September 2020: 17,886,856 shares), equivalent to 3.40% (31 December 2020: 3.18% and 30 September 2020: 3.49%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 9,832,764 (31 December 2020: KD 8,162,521 and 30 September 2020: KD 7,154,742). 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:

30 September 2021	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	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>

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11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total 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>
30 September 2020			
<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	-	8,206,894	8,206,894
	<u>112,050</u>	<u>8,478,143</u>	<u>8,590,193</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 1 January 2021 KD</i>	<i>Change in fair value KD</i>	<i>As at 30 September 2021 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 September 2021, there were no transfers between fair value hierarchy levels.

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

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

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

12 SEGMENTAL INFORMATION

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

The Group has the following reportable segments:

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

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12 SEGMENTAL INFORMATION (continued)

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

	<i>Nine months ended 30 September 2021</i>			<i>Nine months ended 30 September 2020</i>		
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Care home operations KD</i>
Segment revenue	12,894,104	811,822	-	9,047,694	2,133,439	4,050,312
Segment operating costs	(2,626,819)	(738,969)	-	(2,546,119)	(1,243,778)	(3,138,147)
Segment gross profit	<u>10,267,285</u>	<u>72,853</u>	-	<u>6,501,575</u>	<u>889,661</u>	<u>912,165</u>
Share in joint venture's results, net of tax	277,449	-	-	143,980	-	-
Depreciation and amortization	(2,177,373)	(517,242)	-	(2,286,185)	(1,373,863)	(265,048)
Gain from sale of lands	1,362,442	-	-	-	-	-
Other operating expenses	(2,689,676)	(469,488)	-	(1,940,249)	(869,469)	(354,619)
Finance costs	(384,159)	(4,428)	-	(269,812)	(17,004)	(136,277)
Taxation on overseas subsidiaries	(193,901)	-	-	-	-	(35,410)
Segment results	<u>6,462,067</u>	<u>(918,305)</u>	-	<u>2,149,309</u>	<u>(1,370,675)</u>	<u>120,811</u>
Interest income			<u>6,652</u>			<u>69,374</u>
Investment income			<u>12,100</u>			<u>314,015</u>
Gain from sale of a subsidiary			-			<u>21,880,794</u>
Impairment of investment properties			-			<u>(1,100,000)</u>
Other non-operating income, (net)			<u>555,505</u>			<u>111,951</u>
KFAS, NLST and Zakat			<u>(275,523)</u>			<u>(1,000,215)</u>
Profit for the period			<u>5,842,496</u>			<u>21,175,364</u>

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13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	30 September 2021 KD	<i>(Audited)</i> 31 December 2020 KD	30 September 2020 KD
Letters of guarantee	1,222,632	66,844	964,625
Construction projects	39,067,777	45,678,500	36,458,516
	<u>40,290,409</u>	<u>45,745,344</u>	<u>37,423,141</u>

14 RELATED PARTY TRANSACTIONS

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

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

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

	<i>Parent Company KD</i>	30 September 2021 KD	<i>(Audited)</i> 31 December 2020 KD	30 September 2020 KD
Staff receivables*	7,785	7,785	25,522	118,801
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 September</i>		<i>Nine months ended 30 September</i>	
	2021 KD	2020 KD	2021 KD	2020 KD
Short-term benefits	113,017	165,663	436,357	515,884
Employees' end of service benefits	33,386	43,516	171,755	199,940
	<u>146,403</u>	<u>209,179</u>	<u>608,112</u>	<u>715,824</u>

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.

As at and for the period ended 30 September 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.