

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

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

**31 MARCH 2022**



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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 31 March 2022, and the related interim condensed consolidated statement of profit or loss, 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***

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***

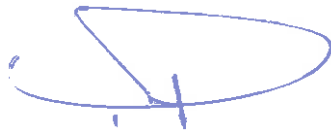
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

**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, as amended, during the three months period ended 31 March 2022 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 three months period ended 31 March 2022 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)

11 May 2022  
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 2022

	Note	Three months ended 31 March	
		2022 KD	2021 KD
Revenue		7,976,118	4,275,634
Operating costs		(1,996,709)	(1,156,314)
<b>Gross profit</b>		<b>5,979,409</b>	<b>3,119,320</b>
Share of joint venture's results, net of tax		275,198	472,519
General and administrative expenses		(1,288,075)	(1,030,605)
Depreciation and amortization		(1,195,294)	(893,563)
Sales and marketing expenses		(246,472)	(139,375)
Investment income		-	5,779
Foreign exchange loss		(34,503)	(2,083)
Interest income		7,820	6,623
Other income		59,379	227,006
Gain from sale of lands		-	593,755
Finance costs		(487,010)	(81,130)
<b>PROFIT BEFORE TAXATION</b>		<b>3,070,452</b>	<b>2,278,246</b>
Taxation on overseas subsidiaries		(84,544)	(100,834)
<b>PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT</b>		<b>2,985,908</b>	<b>2,177,412</b>
KFAS		(29,842)	(19,734)
NLST		(74,604)	(49,336)
Zakat		(29,843)	(19,734)
<b>PROFIT FOR THE PERIOD</b>		<b>2,851,619</b>	<b>2,088,608</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		2,849,883	1,884,625
Non-controlling interests		1,736	203,983
		<b>2,851,619</b>	<b>2,088,608</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>5.51 fils</b>	<b>3.61 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 2022

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>2,851,619</b>	<b>2,088,608</b>
<b>Other comprehensive (loss) income</b>		
<i>Other comprehensive (loss) income 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>(992,223)</b>	1,350,913
	<b>(992,223)</b>	1,350,913
<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	<b>48,669</b>	26,907
	<b>48,669</b>	26,907
<b>Other comprehensive (loss) income for the period</b>	<b>(943,554)</b>	1,377,820
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,908,065</b>	<b>3,466,428</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>1,908,316</b>	3,265,878
Non-controlling interests	<b>(251)</b>	200,550
	<b>1,908,065</b>	<b>3,466,428</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 FINANCIAL POSITION (UNAUDITED)

As at 31 March 2022

		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2022</i>	<i>2021</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>ASSETS</b>	<i>Notes</i>		
Cash on hand and at banks	4	4,136,398	5,173,909
Inventories		305,793	201,772
Accounts receivable and other assets		9,402,227	7,959,398
Financial assets at fair value through other comprehensive income	5	7,178,026	7,306,636
Investment in a joint venture		9,655,105	10,009,979
Right-of-use assets		207,195	503,800
Investment properties	6	335,356,967	307,858,666
Property and equipment		31,805,616	33,039,784
<b>TOTAL ASSETS</b>		<b>398,047,327</b>	<b>372,053,944</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions		1,107,687	18,738,159
Lease liabilities		878,839	1,833,794
Accounts payable and other liabilities		41,631,483	34,277,457
Commercial financing	7	8,418,784	12,030,112
Islamic financing	7	190,974,747	150,170,802
<b>TOTAL LIABILITIES</b>		<b>243,011,540</b>	<b>217,050,324</b>
<b>EQUITY</b>			
Share capital	8	53,835,958	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	9	(8,702,251)	(5,770,357)
Treasury shares reserve		4,454,134	3,564,105
Statutory reserve		30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290
Retained earnings		34,242,125	33,861,209
Fair value reserve		348,895	477,503
Foreign currency translation reserve		(15,030,266)	(14,448,675)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>154,973,559</b>	<b>154,781,090</b>
Non-controlling interests		62,228	222,530
<b>TOTAL EQUITY</b>		<b>155,035,787</b>	<b>155,003,620</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>398,047,327</b>	<b>372,053,944</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 2022

*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 2022 <i>(Audited)</i>	51,272,341	35,055,163	(7,467,050)	4,396,977	30,280,511	20,489,290	41,325,108	300,226	(14,040,030)	161,612,536	62,479	161,675,015
Profit for the period	-	-	-	-	-	-	2,849,883	-	-	2,849,883	1,736	2,851,619
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	48,669	(990,236)	(941,567)	(1,987)	(943,554)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,849,883	48,669	(990,236)	1,908,316	(251)	1,908,065
Issuance of bonus shares (Note 8)	2,563,617	-	-	-	-	-	(2,563,617)	-	-	-	-	-
Purchase of treasury shares	-	-	(1,414,875)	-	-	-	-	-	-	(1,414,875)	-	(1,414,875)
Sale of treasury shares	-	-	179,674	57,157	-	-	-	-	-	236,831	-	236,831
Dividends (Note 8)	-	-	-	-	-	-	(7,369,249)	-	-	(7,369,249)	-	(7,369,249)
<b>Balance as at 31 March 2022</b>	<b>53,835,958</b>	<b>35,055,163</b>	<b>(8,702,251)</b>	<b>4,454,134</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>34,242,125</b>	<b>348,895</b>	<b>(15,030,266)</b>	<b>154,973,559</b>	<b>62,228</b>	<b>155,035,787</b>
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>

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 2022

	Notes	Three months ended 31 March	
		2022 KD	2021 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		2,985,908	2,177,412
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		(275,198)	(472,519)
Provision for employees' end of service benefits		144,888	156,964
Write-offs of property and equipment		-	(37,606)
Depreciation and amortization		1,195,294	893,563
Investment income		-	(5,779)
Foreign exchange loss		34,503	2,083
Interest income		(7,820)	(6,623)
Gain from sale of lands	6	-	(593,755)
Finance costs		487,010	81,130
		<b>4,564,585</b>	<b>2,194,870</b>
Change in operating assets and liabilities:			
Inventories		3,185	(2,969)
Accounts receivable and other assets		308,476	793,753
Accounts payable and other liabilities		368,039	2,228,763
Cash from operations		5,244,285	5,214,417
Employees' end of service benefits paid		(825,843)	(5,481)
KFAS paid		(98,848)	(224,426)
NLST paid		(247,119)	-
Zakat paid		(98,849)	-
Directors' remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		<b>3,853,626</b>	<b>4,864,510</b>
<b>INVESTING ACTIVITIES</b>			
Additions to investment properties	6	(7,328,342)	(9,885,783)
Additions to property and equipment		(38,739)	(854,363)
Proceeds from disposal of investment properties		-	1,647,855
Investment income received		-	5,779
Interest income received		7,820	6,623
Net movement on fixed deposits		-	2,060,000
Net cash flows used in investing activities		<b>(7,359,261)</b>	<b>(7,019,889)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from commercial and Islamic financings	7	12,015,435	5,709,002
Repayment of commercial and Islamic financings	7	(5,450,000)	(54,186)
Movement in due to banks and financial institutions		11,036	14,787,380
Finance costs paid		(487,010)	(81,130)
Dividends paid		-	(14,783,220)
Payment of lease liability		(279,858)	(790,431)
Purchase of treasury shares		(1,414,875)	(773,761)
Proceeds from sale of treasury shares		236,831	4,020
Net cash flows from financing activities		<b>4,631,559</b>	<b>4,017,674</b>
<b>NET INCREASE IN CASH ON HAND AND AT BANKS</b>		<b>1,125,924</b>	<b>1,862,295</b>
Foreign currency translation adjustment		(992,223)	-
Cash on hands and at banks at 1 January		4,002,697	3,311,614
<b>CASH ON HAND AND AT BANKS AT 31 MARCH</b>	4	<b>4,136,398</b>	<b>5,173,909</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 2022

### 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 2022 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 11 May 2022.

On 17 March 2022, 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 2021 and approved the Board of Director’s proposal for distributing cash dividends and bonus shares to the shareholders (Note 8).

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 Boursa Kuwait. 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.

### 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 2021. Furthermore, results for the three months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2021.

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 2021, except for the adoption of new standards effective as of 1 January 2022. 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 2022.

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 2022

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>2,849,883</b>	1,884,625
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>517,664,359</b>	521,996,487
Basic and diluted earnings per share	<b>5.51 fils</b>	3.61 fils

Earnings per share for the three months period ended 31 March 2021 was 3.79 fils before retroactive adjustment to the number of shares following the bonus issue (Note 8).

**4 CASH ON HAND AND AT BANKS**

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2022</i>	<i>31 December</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash on hand	<b>23,831</b>	16,827	8,525
Bank balances	<b>4,112,567</b>	3,985,870	5,165,384
	<b>4,136,398</b>	4,002,697	5,173,909

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

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2022</i>	<i>31 December</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Managed quoted portfolio	<b>254,705</b>	206,463	194,531
Managed unquoted portfolio	<b>268,546</b>	268,546	268,546
Unquoted equity securities	<b>6,654,775</b>	6,654,348	6,843,559
	<b>7,178,026</b>	7,129,357	7,306,636

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>2022</i>	<i>31 December</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January	<b>329,242,172</b>	299,261,578	299,261,578
Additions	<b>7,328,342</b>	33,781,009	9,885,783
Disposals	-	(2,174,206)	(1,054,100)
Depreciation	<b>(915,582)</b>	(1,442,741)	(312,584)
Foreign currency translation adjustment	<b>(297,965)</b>	(183,468)	77,989
	<b>335,356,967</b>	329,242,172	307,858,666

Investment properties with a carrying value of KD 155,792 (31 December 2021: KD 155,792 and 31 March 2021: 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.

## 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 2022

#### 7 COMMERCIAL AND ISLAMIC FINANCING

	<i>31 March</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>31 March</i> <i>2021</i> <i>KD</i>
At 1 January	192,947,712	156,518,264	156,518,264
Loans received	12,015,435	45,507,865	5,709,002
Loans paid	(5,450,000)	(9,014,538)	(54,186)
Foreign currency translation adjustment	(119,616)	(63,879)	27,834
	<u>199,393,531</u>	<u>192,947,712</u>	<u>162,200,914</u>
	<i>31 March</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>31 March</i> <i>2021</i> <i>KD</i>
Commercial financing	8,418,784	9,038,400	12,030,112
Islamic financing	190,974,747	183,909,312	150,170,802
	<u>199,393,531</u>	<u>192,947,712</u>	<u>162,200,914</u>

Commercial financing denominated in Kuwaiti Dinar carries variable interest rate of 1% per annum (31 December 2021: 1% per annum and 31 March 2021: 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 2021: 2.6275% per annum and 31 March 2021: 2.6275% per annum).

Commercial financing amounting to KD 5,118,784 (31 December 2021: KD 5,330,112 and 31 March 2021: KD 5,330,112) 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 2021: 1% to 1.25% per annum and 31 March 2021: 1% to 1.25% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 190,974,747 (31 December 2021: KD 183,909,312 and 31 March 2021: KD 150,170,802) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 74,550,000 (31 December 2021: KD 66,000,000 and 31 March 2021: KD 64,000,000) is secured by an investment property with a carrying value of KD 315,364,281 (31 December 2021: KD 309,392,610 and 31 March 2021: KD 287,899,296).

#### 8 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 17 March 2022, the shareholders approved the distribution of cash dividends of 15 fils (2020: 30 fils) per share, amounting to KD 7,369,249 for the year ended 31 December 2021 (2020: KD 14,892,929) in addition to the issuance of bonus shares of 25,636,171(2020: Nil) in the ratio of 5 shares for each 100 shares to the registered shareholders as at the entitlement date. The change has been notarized in the Parent Company's commercial register dated 30 March 2022.

As at 31 March 2022, the authorized, issued and paid up capital comprises of 538,359,584 shares (31 December 2021: 512,723,413 shares and 31 March 2021: 512,723,413 shares) at 100 fils (31 December 2021: 100 fils and 31 March 2021: 100 fils) per share.

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

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

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#### 9 TREASURY SHARES

At 31 March 2022, the Parent Company held 21,540,644 of its own shares (31 December 2021: 19,292,201 shares and 31 March 2021: 17,665,729 shares), equivalent to 4.2% (31 December 2021: 3.76% and 31 March 2021: 3.45%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 11,265,757 (31 December 2021: KD 10,205,574 and 31 March 2021: KD 9,698,485). Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

#### 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. For financial instruments where there is no active market, the 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 2022</b>	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>
<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	254,705	-	254,705
Managed unquoted portfolio	-	268,546	268,546
Unquoted equity securities	-	6,654,775	6,654,775
	<u>254,705</u>	<u>6,923,321</u>	<u>7,178,026</u>
	<i>Level 1</i>	<i>Level 3</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>31 December 2021 (Audited)</i>			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	206,463	-	206,463
Managed unquoted portfolio	-	268,546	268,546
Unquoted equity securities	-	6,654,348	6,654,348
	<u>206,463</u>	<u>6,922,894</u>	<u>7,129,357</u>
	<i>Level 1</i>	<i>Level 3</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>31 March 2021</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
	<u>194,531</u>	<u>7,112,105</u>	<u>7,306,636</u>

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

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

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

##### Fair value hierarchy (continued)

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 2022 KD</i>	<i>Change in fair value KD</i>	<i>As at 31 March 2022 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,922,894	427	6,923,321
	<i>As at 1 January 2021 KD</i>	<i>Change in fair value KD</i>	<i>As at 31 December 2021 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	7,116,323	(193,429)	6,922,894
	<i>As at 1 January 2021 KD</i>	<i>Change in fair value KD</i>	<i>As at 31 March 2021 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	7,116,323	(4,218)	7,112,105

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.

#### 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.

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

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

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**11 SEGMENTAL INFORMATION (continued)**

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

	<i>Three months ended</i>			<i>Three months ended</i>		
	<i>31 March 2022</i>			<i>31 March 2021</i>		
	<i>Real estate operations</i>	<i>Hotel operations</i>	<i>Total</i>	<i>Real estate operations</i>	<i>Hotel operations</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	7,241,687	734,431	7,976,118	4,126,400	149,234	4,275,634
Segment operating costs	(1,617,476)	(379,233)	(1,996,709)	(952,714)	(203,600)	(1,156,314)
Segment gross profit (loss)	5,624,211	355,198	5,979,409	3,173,686	(54,366)	3,119,320
Share in joint venture's results, net of tax	275,198	-	275,198	472,519	-	472,519
Depreciation and amortization	(1,027,985)	(167,309)	(1,195,294)	(720,959)	(172,604)	(893,563)
Other operating expenses	(1,335,350)	(199,197)	(1,534,547)	(1,009,289)	(160,691)	(1,169,980)
Finance costs	(480,837)	(6,173)	(487,010)	(79,864)	(1,266)	(81,130)
Taxation on overseas subsidiaries	(84,544)	-	(84,544)	(100,834)	-	(100,834)
Segment results	2,970,693	(17,481)	2,953,212	1,735,259	(388,927)	1,346,332
Interest income			7,820			6,623
Investment income			-			5,779
Gain from sale of a subsidiary			-			593,755
Other non-operating income, (net)			24,876			224,923
KFAS, NLSST and Zakat			(134,289)			(88,804)
Profit for the period			2,851,619			2,088,608

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

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

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**11 SEGMENTAL INFORMATION (continued)**

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

	<b>31 March 2022</b>			<b>31 December 2021 (Audited)</b>			<b>31 March 2021</b>		
	<i>Real estate operations</i>	<i>Hotel operations</i>	<i>Total</i>	<i>Real estate operations</i>	<i>Hotel operations</i>	<i>Total</i>	<i>Real estate operations</i>	<i>Hotel operations</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Total assets	<b>396,895,494</b>	<b>1,151,833</b>	<b>398,047,327</b>	390,802,536	1,140,429	391,942,965	369,663,433	2,390,511	372,053,944
Segment liabilities	<b>241,892,921</b>	<b>1,118,619</b>	<b>243,011,540</b>	229,421,183	846,767	230,267,950	215,539,989	1,510,335	217,050,324
Capital expenditure	<b>7,352,767</b>	<b>14,314</b>	<b>7,367,081</b>	34,006,173	942,111	34,948,284	10,000,866	748,279	10,749,145

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

As at and for the period ended 31 March 2022

**12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<b>31 March 2022 KD</b>	<i>(Audited)</i> <b>31 December 2021 KD</b>	<b>31 March 2021 KD</b>
Letters of guarantee	1,260,027	1,260,027	797,781
Construction projects	43,392,850	48,528,441	38,786,272
	<u>44,652,877</u>	<u>49,788,468</u>	<u>39,584,053</u>

**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 2022 KD</b>	<i>(Audited)</i> <b>31 December 2021 KD</b>	<b>31 March 2021 KD</b>
Staff receivables*	7,900	7,900	7,434	7,617
Due from related parties*	7,900	7,900	114,670	-

\* 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>2022 KD</b>	<b>2021 KD</b>
Short-term benefits	123,104	173,527
Employees' end of service benefits	42,431	98,221
	<u>165,535</u>	<u>271,748</u>



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION  
(UNAUDITED)

As at and for the period ended 31 March 2022

**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.

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.

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

- ▶ A decline in revenue from real estate operations for the period ended 31 March 2022 by 7% (March 2021: 12%) due to continues effect of COVID-19 more while there is a slow recovery on hotels and commercial facilities resulting from slight increasing in occupancy rate, banquet, meeting, food and beverage revenue.
- ▶ Loss in rental revenue during the period amounting to KD 310k (2021: KD 500k).

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.