

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

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

**30 JUNE 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 30 June 2022, 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. (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 six months period ended 30 June 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 six months period ended 30 June 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 August 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 30 June 2022

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue	<b>9,183,520</b>	4,190,766	<b>17,159,638</b>	8,466,400
Operating costs	<b>(2,684,933)</b>	(1,209,708)	<b>(4,681,642)</b>	(2,366,022)
<b>Gross profit</b>	<b>6,498,587</b>	2,981,058	<b>12,477,996</b>	6,100,378
Share of joint venture's results, net of tax	<b>286,997</b>	(373,482)	<b>562,195</b>	99,036
General and administrative expenses	<b>(1,335,923)</b>	(800,563)	<b>(2,623,998)</b>	(1,831,168)
Depreciation and amortization	<b>(1,341,794)</b>	(923,849)	<b>(2,537,088)</b>	(1,817,412)
Sales and marketing expenses	<b>(2,481)</b>	(34,401)	<b>(248,953)</b>	(173,776)
Investment income	<b>64,060</b>	6,869	<b>64,060</b>	12,648
Foreign exchange (loss) gain	<b>(4,961)</b>	17,172	<b>(39,464)</b>	15,089
Interest income	<b>8,858</b>	78,011	<b>16,678</b>	84,634
Other income	<b>60,599</b>	330,371	<b>119,978</b>	557,377
Gain from sale of lands	-	-	-	593,755
Finance costs	<b>(702,036)</b>	(131,345)	<b>(1,189,046)</b>	(212,475)
<b>PROFIT BEFORE TAXATION</b>	<b>3,531,906</b>	1,149,841	<b>6,602,358</b>	3,428,086
Taxation on overseas subsidiaries	<b>(84,544)</b>	23,657	<b>(169,088)</b>	(77,177)
<b>PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT</b>	<b>3,447,362</b>	1,173,498	<b>6,433,270</b>	3,350,909
KFAS	<b>(34,388)</b>	(13,784)	<b>(64,230)</b>	(33,518)
NLST	<b>(85,970)</b>	(34,459)	<b>(160,574)</b>	(83,795)
Zakat	<b>(34,387)</b>	(13,785)	<b>(64,230)</b>	(33,518)
<b>PROFIT FOR THE PERIOD</b>	<b>3,292,617</b>	1,111,470	<b>6,144,236</b>	3,200,078
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>3,284,061</b>	1,316,347	<b>6,133,944</b>	3,200,972
Non-controlling interests	<b>8,556</b>	(204,877)	<b>10,292</b>	(894)
	<b>3,292,617</b>	1,111,470	<b>6,144,236</b>	3,200,078
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>6.3 fils</b>	2.5 fils	<b>11.9 fils</b>	6.1 fils

The attached notes 1 to 13 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 2022

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>3,292,617</b>	<b>1,111,470</b>	<b>6,144,236</b>	<b>3,200,078</b>
<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	<b>(2,828,447)</b>	<b>(1,616,384)</b>	<b>(3,820,670)</b>	<b>(265,471)</b>
	<b>(2,828,447)</b>	<b>(1,616,384)</b>	<b>(3,820,670)</b>	<b>(265,471)</b>
<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>242,409</b>	<b>732</b>	<b>291,078</b>	<b>27,639</b>
	<b>242,409</b>	<b>732</b>	<b>291,078</b>	<b>27,639</b>
<b>Other comprehensive loss for the period</b>	<b>(2,586,038)</b>	<b>(1,615,652)</b>	<b>(3,529,592)</b>	<b>(237,832)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>706,579</b>	<b>(504,182)</b>	<b>2,614,644</b>	<b>2,962,246</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>680,550</b>	<b>(347,547)</b>	<b>2,588,866</b>	<b>2,914,898</b>
Non-controlling interests	<b>26,029</b>	<b>(156,635)</b>	<b>25,778</b>	<b>47,348</b>
	<b>706,579</b>	<b>(504,182)</b>	<b>2,614,644</b>	<b>2,962,246</b>

The attached notes 1 to 13 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 2022

		<b>30 June</b>	<i>(Audited)</i> <b>31 December</b>	<b>30 June</b>
	<i>Notes</i>	<b>2022</b>	<b>2021</b>	<b>2021</b>
		<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>ASSETS</b>				
Cash on hand and at banks	4	2,755,159	4,002,697	2,442,679
Inventories		209,801	308,978	203,464
Accounts receivable and other assets		8,664,494	9,710,703	7,441,906
Financial assets at fair value through other comprehensive income	5	7,420,435	7,129,357	7,307,368
Investment in a joint venture		9,091,372	9,280,068	9,858,736
Right-of-use assets		154,653	238,343	428,424
Investment properties	6	341,477,418	329,242,172	318,390,020
Property and equipment		32,175,694	32,030,647	32,654,241
<b>TOTAL ASSETS</b>		<b>401,949,026</b>	<b>391,942,965</b>	<b>378,726,838</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks and financial institutions		3,951,139	1,096,651	12,796,398
Lease liabilities		346,403	1,280,837	1,581,929
Accounts payable and other liabilities		36,732,866	34,942,750	36,438,807
Commercial financing	7	8,078,752	9,038,400	17,554,176
Islamic financing	7	197,545,552	183,909,312	155,794,190
<b>TOTAL LIABILITIES</b>		<b>246,654,712</b>	<b>230,267,950</b>	<b>224,165,500</b>
<b>EQUITY</b>				
Share capital	8	53,835,958	51,272,341	51,272,341
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	9	(9,155,945)	(7,467,050)	(6,044,517)
Treasury shares reserve		4,454,134	4,396,977	3,900,165
Statutory reserve		30,280,511	30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		37,531,828	41,325,108	35,177,556
Fair value reserve		591,304	300,226	478,235
Foreign currency translation reserve		(17,876,186)	(14,040,030)	(16,116,734)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>155,206,057</b>	<b>161,612,536</b>	<b>154,492,010</b>
Non-controlling interests		88,257	62,479	69,328
<b>TOTAL EQUITY</b>		<b>155,294,314</b>	<b>161,675,015</b>	<b>154,561,338</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>401,949,026</b>	<b>391,942,965</b>	<b>378,726,838</b>



Ghazi Fahad Alnafisi  
Chairman

The attached notes 1 to 13 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 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 (Audited)	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	-	-	-	-	-	-	6,133,944	-	-	6,133,944	10,292	6,144,236
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	291,078	(3,836,156)	(3,545,078)	15,486	(3,529,592)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	6,133,944	291,078	(3,836,156)	2,588,866	25,778	2,614,644
Issuance of bonus shares (Note 8)	-	-	(1,873,015)	-	-	-	(2,563,617)	-	-	(1,873,015)	-	(1,873,015)
Purchase of treasury shares	-	-	184,120	57,157	-	-	-	-	-	241,277	-	241,277
Sale of treasury shares	-	-	-	-	-	-	-	-	-	(7,363,607)	-	(7,363,607)
Dividends (Note 8)	-	-	-	-	-	-	(7,363,607)	-	-	-	-	-
<b>Balance as at 30 June 2022</b>	<b>53,835,958</b>	<b>35,055,163</b>	<b>(9,155,945)</b>	<b>4,454,134</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>37,531,828</b>	<b>591,304</b>	<b>(17,876,186)</b>	<b>155,206,057</b>	<b>88,257</b>	<b>155,294,314</b>
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	-	-	-	-	-	-	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 8)	-	-	-	-	-	-	(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>

The attached notes 1 to 13 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 2022

	Notes	Six months ended 30 June	
		2022 KD	2021 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		6,433,270	3,350,909
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		(562,195)	(99,036)
Provision for employees' end of service benefits		447,084	338,605
Depreciation and amortization		2,537,088	1,817,412
Investment income		(64,060)	(12,648)
Foreign exchange loss (gain)		39,464	(15,089)
Interest income		(16,678)	(84,634)
Gain from sale of lands		-	(593,755)
Finance costs		1,189,046	212,475
		<b>10,003,019</b>	<b>4,914,239</b>
Change in operating assets and liabilities:			
Inventories		99,177	(4,661)
Accounts receivable and other assets		1,046,209	168,775
Accounts payable and other liabilities		1,790,116	3,885,385
Cash from operations		<b>12,938,521</b>	<b>8,963,738</b>
Employees' end of service benefits paid		(996,332)	(314,287)
KFAS paid		(99,147)	(224,426)
NLST paid		(247,867)	-
Zakat paid		(99,147)	-
Directors' remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		<b>11,376,028</b>	<b>8,305,025</b>
<b>INVESTING ACTIVITIES</b>			
Additions to investment properties	6	(15,463,032)	(20,707,491)
Additions to property and equipment		(671,792)	(992,716)
Proceeds from disposal of investment properties		-	1,647,855
Investment income received		64,060	12,648
Interest income received		16,678	84,634
Net movement on fixed deposits		-	2,060,000
Net cash flows used in investing activities		<b>(16,054,086)</b>	<b>(17,895,070)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from commercial and Islamic financings	7	19,084,189	16,839,952
Repayment of commercial and Islamic financings	7	(5,947,949)	(61,748)
Movement in due to banks and financial institutions		2,854,488	8,845,619
Finance costs paid		(1,189,046)	(212,475)
Dividends paid		(7,363,607)	(14,828,371)
Payment of lease liability		(792,756)	(1,157,287)
Purchase of treasury shares		(1,873,015)	(1,706,961)
Proceeds from sale of treasury shares		241,277	1,002,381
Net cash flows from financing activities		<b>5,013,581</b>	<b>8,721,110</b>
<b>NET INCREASE IN CASH ON HAND AND AT BANKS</b>		<b>335,523</b>	<b>(868,935)</b>
Foreign currency translation adjustment		(1,583,061)	-
Cash on hands and at banks at 1 January		4,002,697	3,311,614
<b>CASH ON HAND AND AT BANKS AT 30 JUNE</b>	4	<b>2,755,159</b>	<b>2,442,679</b>

The attached notes 1 to 13 form an integral part of the interim condensed consolidated financial information.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 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 six months period ended 30 June 2022 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 11 August 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 and hotels operations in Kuwait. 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 six months period ended 30 June 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 30 June 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 30 June 2022

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>3,284,061</b>	1,316,347	<b>6,133,944</b>	3,200,972
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>517,546,988</b>	521,117,116	<b>516,460,514</b>	521,039,651
Basic and diluted earnings per share	<b>6.3 fils</b>	2.5 fils	<b>11.9 fils</b>	6.1 fils

Earnings per share for the six- and three-months period ended 30 June 2021 was 6.5 and 2.7 fils respectively before retroactive adjustment to the number of shares following the bonus issue (Note 8).

4 CASH ON HAND AND AT BANKS

	<i>30 June</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 June</i> <i>2021</i> <i>KD</i>
Cash on hand	38,947	16,827	6,094
Bank balances	<b>2,716,212</b>	<b>3,985,870</b>	<b>2,436,585</b>
	<b>2,755,159</b>	<b>4,002,697</b>	<b>2,442,679</b>

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 June</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 June</i> <i>2021</i> <i>KD</i>
Managed quoted portfolio	233,625	206,463	195,263
Managed unquoted portfolio	268,546	268,546	268,546
Unquoted equity securities	<b>6,918,264</b>	<b>6,654,348</b>	<b>6,843,559</b>
	<b>7,420,435</b>	<b>7,129,357</b>	<b>7,307,368</b>

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

6 INVESTMENT PROPERTIES

	<i>30 June</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 June</i> <i>2021</i> <i>KD</i>
As at 1 January	329,242,172	299,261,578	299,261,578
Additions	15,463,032	33,781,009	20,707,491
Disposals	-	(2,174,206)	(1,057,059)
Depreciation	(1,883,616)	(1,442,741)	(646,270)
Foreign currency translation adjustment	(1,344,170)	(183,468)	124,280
	<b>341,477,418</b>	<b>329,242,172</b>	<b>318,390,020</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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6 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD 155,792 (31 December 2021: KD 155,792 and 30 June 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.

7 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 June 2022 KD</i>	<i>(Audited) 31 December 2021 KD</i>	<i>30 June 2021 KD</i>
At 1 January	192,947,712	156,518,264	156,518,264
Loans received	19,084,189	45,507,865	16,839,952
Loans paid	(5,947,949)	(9,014,538)	(61,748)
Foreign currency translation adjustment	(459,648)	(63,879)	51,898
	<u>205,624,304</u>	<u>192,947,712</u>	<u>173,348,366</u>
	<i>30 June 2022 KD</i>	<i>(Audited) 31 December 2021 KD</i>	<i>30 June 2021 KD</i>
Commercial financing	8,078,752	9,038,400	17,554,176
Islamic financing	197,545,552	183,909,312	155,794,190
	<u>205,624,304</u>	<u>192,947,712</u>	<u>173,348,366</u>

Commercial financing denominated in Kuwaiti Dinar carries an interest rate of 1% per annum (31 December 2021: 1% per annum and 30 June 2021: 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing denominated in GBP carries variable interest rates 3.589% per annum (31 December 2021: 2.6275% per annum and 30 June 2021: 2.6275% per annum).

Commercial financing amounting to KD 4,778,752 (31 December 2021: KD 5,330,112 and 30 June 2021: KD 5,354,176) 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 30 June 2021: 1% to 1.25% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 197,545,552 (31 December 2021: KD 183,909,312 and 30 June 2021: KD 155,794,190) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 74,100,000 (31 December 2021: KD 66,000,000 and 30 June 2021: KD 64,500,000) is secured by an investment property with a carrying value of KD 277,902,681 (31 December 2021: KD 266,186,751 and 30 June 2021: KD 254,806,235).

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 7,363,607 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 30 June 2022, the authorized, issued and paid up capital comprises of 538,359,584 shares (31 December 2021: 512,723,413 shares and 30 June 2021: 512,723,413 shares) at 100 fils (31 December 2021: 100 fils and 30 June 2021: 100 fils) per share.

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9 TREASURY SHARES

At 30 June 2022, the Parent Company held 23,572,556 of its own shares (31 December 2021: 19,292,201 shares and 30 June 2021: 17,520,707 shares), equivalent to 4.38% (31 December 2021: 3.76% and 30 June 2021: 3.42%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 10,772,658 (31 December 2021: KD 10,205,574 and 30 June 2021: KD 9,058,206). 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:

	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<b>30 June 2022</b>			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	233,625	-	233,625
Managed unquoted portfolio	-	268,546	268,546
Unquoted equity securities	-	6,918,264	6,918,264
	<u>233,625</u>	<u>7,186,810</u>	<u>7,420,435</u>
<b>31 December 2021 (Audited)</b>			
<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>
<b>30 June 2021</b>			
<i>Assets measured at fair value</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>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2022

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 30 June 2022 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,922,894	263,916	7,186,810
	<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 30 June 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:

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Real estate operations KD	Hotel operations KD	Total KD	Real estate operations KD	Hotel operations KD	Total KD
Segment revenue	15,287,821	1,871,817	17,159,638	8,114,880	351,520	8,466,400
Segment operating costs	(3,780,566)	(901,076)	(4,681,642)	(1,916,215)	(449,807)	(2,366,022)
Segment gross profit (loss)	11,507,255	970,741	12,477,996	6,198,665	(98,287)	6,100,378
Share in joint venture's results, net of tax	562,195	-	562,195	99,036	-	99,036
Gain from sale of land	-	-	-	593,755	-	593,755
Depreciation	(2,203,337)	(333,751)	(2,537,088)	(1,469,918)	(347,494)	(1,817,412)
Other operating expenses	(2,445,230)	(427,721)	(2,872,951)	(1,689,360)	(315,584)	(2,004,944)
Finance costs	(1,174,482)	(14,564)	(1,189,046)	(210,525)	(1,950)	(212,475)
Taxation on overseas subsidiaries	(169,088)	-	(169,088)	(77,177)	-	(77,177)
Segment results	6,077,313	194,705	6,272,018	3,444,476	(763,315)	2,681,161
Interest income			16,678			84,634
Investment income			64,060			12,648
Other non-operating income, (net)			80,514			572,466
KFAS, NUST and Zakat			(289,034)			(150,831)
Profit for the period			6,144,236			3,200,078

**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:

	30 June 2022			31 December 2021 (Audited)			30 June 2021		
	Real estate operations KD	Hotel operations KD	Total KD	Real estate operations KD	Hotel operations KD	Total KD	Real estate operations KD	Hotel operations KD	Total KD
Total assets	400,366,797	1,582,229	401,949,026	390,802,536	1,140,429	391,942,965	376,187,864	2,538,974	378,726,838
Segment liabilities	245,155,110	1,499,602	246,654,712	229,421,183	846,767	230,267,950	221,620,341	2,545,159	224,165,500
Capital expenditure	15,972,207	162,616	16,134,823	34,006,173	942,111	34,948,284	20,813,009	887,198	21,700,207

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

As at and for the period ended 30 June 2022

**12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<i>30 June</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 June</i> <i>2021</i> <i>KD</i>
Letters of guarantee	1,260,027	1,260,027	864,625
Construction projects	38,092,587	48,528,441	54,321,025
	<u>39,352,614</u>	<u>49,788,468</u>	<u>55,185,650</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</i> <i>Company</i> <i>KD</i>	<i>30 June</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 June</i> <i>2021</i> <i>KD</i>
Staff receivables*	5,635	5,635	7,434	7,116
Due from related parties*	-	-	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</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Short-term benefits	132,122	149,813	255,226	323,340
Employees' end of service benefits	111,060	40,148	153,927	138,369
	<u>243,182</u>	<u>189,961</u>	<u>409,153</u>	<u>461,709</u>