

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

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

**30 SEPTEMBER 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 September 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 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, as amended, during the nine months period ended 30 September 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 nine months period ended 30 September 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)

8 November 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 September 2022

	<i>Three months ended</i>		<i>Nine months ended</i>		
	<i>30 September</i>		<i>30 September</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	9,072,953	5,239,526	26,232,591	13,705,926	
Operating costs	(2,016,881)	(999,766)	(6,698,523)	(3,365,788)	
<b>Gross profit</b>	<b>7,056,072</b>	<b>4,239,760</b>	<b>19,534,068</b>	<b>10,340,138</b>	
Share of joint venture's results, net of tax	2,195,816	178,413	2,758,011	277,449	
General and administrative expenses	(831,355)	(1,112,149)	(3,455,353)	(2,943,317)	
Depreciation and amortization	(1,417,779)	(877,203)	(3,954,867)	(2,694,615)	
Sales and marketing expenses	(1,161)	(42,071)	(250,114)	(215,847)	
Investment income (loss)	263,238	(548)	327,298	12,100	
Foreign exchange (loss) gain	(9,502)	3,057	(48,966)	18,146	
Interest income (expense)	277	(77,982)	16,955	6,652	
Other income (expense)	19,568	(20,018)	139,546	537,359	
Gain from sale of lands	-	768,687	-	1,362,442	
Finance costs	(796,671)	(176,112)	(1,985,717)	(388,587)	
<b>PROFIT BEFORE TAXATION</b>	<b>6,478,503</b>	<b>2,883,834</b>	<b>13,080,861</b>	<b>6,311,920</b>	
Taxation on overseas subsidiaries	(84,543)	(116,724)	(253,631)	(193,901)	
<b>PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT</b>	<b>6,393,960</b>	<b>2,767,110</b>	<b>12,827,230</b>	<b>6,118,019</b>	
KFAS	(64,050)	(27,709)	(128,280)	(61,227)	
NLST	(160,127)	(69,274)	(320,701)	(153,069)	
Zakat	(64,052)	(27,709)	(128,282)	(61,227)	
<b>PROFIT FOR THE PERIOD</b>	<b>6,105,731</b>	<b>2,642,418</b>	<b>12,249,967</b>	<b>5,842,496</b>	
<b>Attributable to:</b>					
Equity holders of the Parent Company	6,116,833	2,646,252	12,250,777	5,847,224	
Non-controlling interests	(11,102)	(3,834)	(810)	(4,728)	
	<b>6,105,731</b>	<b>2,642,418</b>	<b>12,249,967</b>	<b>5,842,496</b>	
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>3</b>	<b>11.8 fils</b>	<b>5.1 fils</b>	<b>23.7 fils</b>	<b>11.2 fils</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 COMPREHENSIVE INCOME  
(UNAUDITED)

For the period ended 30 September 2022

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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>6,105,731</b>	<b>2,642,418</b>	<b>12,249,967</b>	<b>5,842,496</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	(206,439)	561,997	(4,027,109)	296,526
	<b>(206,439)</b>	<b>561,997</b>	<b>(4,027,109)</b>	<b>296,526</b>
<i>Other comprehensive (loss) income that will not be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</i>				
Changes in the fair value of equity instruments at fair value through other comprehensive income	(168,645)	-	122,433	27,639
	<b>(168,645)</b>	<b>-</b>	<b>122,433</b>	<b>27,639</b>
<b>Other comprehensive (loss) income for the period</b>	<b>(375,084)</b>	<b>561,997</b>	<b>(3,904,676)</b>	<b>324,165</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,730,647</b>	<b>3,204,415</b>	<b>8,345,291</b>	<b>6,166,661</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	5,727,636	3,202,730	8,316,502	6,117,628
Non-controlling interests	3,011	1,685	28,789	49,033
	<b>5,730,647</b>	<b>3,204,415</b>	<b>8,345,291</b>	<b>6,166,661</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 30 September 2022

		(Audited)	
	30 September 2022	31 December 2021	30 September 2021
	KD	KD	KD
<b>ASSETS</b>			
Cash on hand and at banks	4	2,599,174	4,002,697
Inventories		220,169	308,978
Accounts receivable and other assets		8,009,806	9,710,703
Financial assets at fair value through other comprehensive income	5	7,251,790	7,129,357
Investment in a joint venture		11,415,244	9,280,068
Right-of-use assets		102,111	238,343
Investment properties	6	346,174,631	329,242,172
Property and equipment		32,252,848	32,030,647
<b>TOTAL ASSETS</b>		<b>408,025,773</b>	<b>391,942,965</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions		4,423,604	1,096,651
Lease liabilities		351,194	1,280,837
Accounts payable and other liabilities		37,298,768	34,942,750
Commercial financing	7	8,552,864	9,038,400
Islamic financing	7	196,377,678	183,909,312
<b>TOTAL LIABILITIES</b>		<b>247,004,108</b>	<b>230,267,950</b>
<b>EQUITY</b>			
Share capital	8	53,835,958	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	9	(9,159,241)	(7,467,050)
Treasury shares reserve		4,454,134	4,396,977
Statutory reserve		30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290
Retained earnings		43,648,661	41,325,108
Fair value reserve		422,659	300,226
Foreign currency translation reserve		(18,096,738)	(14,040,030)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		<b>160,930,397</b>	<b>161,612,536</b>
Non-controlling interests		91,268	62,479
<b>TOTAL EQUITY</b>		<b>161,021,665</b>	<b>161,675,015</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>408,025,773</b>	<b>391,942,965</b>

Ghazi Fahad Ainafisi  
Chairman

Faisal Abdul Mohsen 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 30 September 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 (loss) for the period	-	-	-	-	-	-	12,250,777	-	-	12,250,777	(810)	12,249,967
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	122,433	(4,056,708)	(3,934,275)	29,599	(3,904,676)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	12,250,777	122,433	(4,056,708)	8,316,502	28,789	8,345,291
Issuance of bonus shares (Note 8)	2,563,617	-	-	-	-	-	(2,563,617)	-	-	(1,876,311)	-	(1,876,311)
Purchase of treasury shares	-	-	(1,876,311)	-	-	-	-	-	-	241,277	-	241,277
Sale of treasury shares	-	-	184,120	57,157	-	-	-	-	-	(7,363,607)	-	(7,363,607)
Dividends (Note 8)	-	-	-	-	-	-	(7,363,607)	-	-	-	-	-
<b>Balance as at 30 September 2022</b>	<b>53,835,958</b>	<b>35,055,163</b>	<b>(9,159,241)</b>	<b>4,454,134</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>43,648,661</b>	<b>422,659</b>	<b>(18,096,738)</b>	<b>160,930,397</b>	<b>91,268</b>	<b>161,021,665</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	(15,303,021)	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 8)	-	-	-	-	-	-	(14,892,929)	-	-	(14,892,929)	-	(14,892,929)
<b>Balance as at 30 September 2021</b>	<b>51,272,341</b>	<b>35,055,163</b>	<b>(6,110,025)</b>	<b>4,002,124</b>	<b>30,280,511</b>	<b>20,489,290</b>	<b>37,823,808</b>	<b>478,235</b>	<b>(15,560,256)</b>	<b>157,731,191</b>	<b>71,013</b>	<b>157,802,204</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 September 2022

	Notes	Nine months ended 30 September	
		2022 KD	2021 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		12,827,230	6,118,019
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		(2,758,011)	(277,449)
Provision for employees' end of service benefits		542,609	412,253
Depreciation and amortization		3,954,867	2,694,615
Investment income		(327,298)	(12,100)
Foreign exchange loss (gain)		48,966	(18,146)
Interest income		(16,955)	(6,652)
Gain from sale of property and equipment		-	(2,398)
Gain from sale of lands		-	(1,362,442)
Finance costs		1,985,717	388,587
		<b>16,257,125</b>	<b>7,934,287</b>
Change in operating assets and liabilities:			
Inventories		88,809	3,629
Accounts receivable and other assets		1,700,897	715,656
Accounts payable and other liabilities		2,296,080	3,933,149
Cash from operations		20,342,911	12,586,721
Employees' end of service benefits paid		(1,048,832)	(525,816)
KFAS paid		(99,147)	(224,426)
NLST paid		(247,867)	(561,064)
Zakat paid		(99,147)	(224,426)
Directors' remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		<b>18,727,918</b>	<b>10,930,989</b>
<b>INVESTING ACTIVITIES</b>			
Additions to investment properties	6	(22,774,804)	(27,926,378)
Additions to property and equipment		(1,009,825)	(1,044,020)
Proceeds from disposal of investment properties		-	1,571,832
Proceeds from disposal of property and equipment		-	42,219
Investment income received		327,298	12,100
Interest income received		16,955	6,652
Net movement on fixed deposits		-	2,060,000
Net cash flows used in investing activities		<b>(23,440,376)</b>	<b>(25,277,595)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from commercial and Islamic financings	7	21,866,315	24,610,805
Repayment of commercial and Islamic financings	7	(8,897,949)	(170,540)
Movement in due to banks and financial institutions		3,326,953	5,360,449
Finance costs paid		(1,985,717)	(388,587)
Dividends paid		(7,363,607)	(14,821,031)
Payment of lease liability		(956,417)	(1,232,383)
Purchase of treasury shares		(1,876,311)	(1,977,597)
Proceeds from sale of treasury shares		241,277	1,309,468
Net cash flows from financing activities		<b>4,354,544</b>	<b>12,690,584</b>
<b>NET DECREASE IN CASH ON HAND AND AT BANKS</b>		<b>(357,914)</b>	<b>(1,656,022)</b>
Foreign currency translation adjustment		(1,045,609)	-
Cash on hands and at banks at 1 January		4,002,697	3,311,614
<b>CASH ON HAND AND AT BANKS AT 30 SEPTEMBER</b>	4	<b>2,599,174</b>	<b>1,655,592</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

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

As at and for the period ended 30 September 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 nine months period ended 30 September 2022 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 8 November 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 nine months period ended 30 September 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 September 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 September 2022

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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>6,116,833</b>	2,646,252	<b>12,250,777</b>	5,847,224
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>519,065,537</b>	522,385,866	<b>515,882,154</b>	521,137,564
Basic and diluted earnings per share	<b>11.8 fils</b>	5.1 fils	<b>23.7 fils</b>	11.2 fils

Earnings per share for the three- and nine-months period ended 30 September 2021 was 5.33 and 11.80 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 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2022</i>	<i>31 December</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash on hand	<b>13,618</b>	16,827	8,780
Bank balances	<b>2,585,556</b>	3,985,870	1,646,812
	<b>2,599,174</b>	4,002,697	1,655,592

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2022</i>	<i>31 December</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Managed quoted portfolio	<b>223,655</b>	206,463	195,263
Managed unquoted portfolio	<b>274,170</b>	268,546	268,546
Unquoted equity securities	<b>6,753,965</b>	6,654,348	6,843,559
	<b>7,251,790</b>	7,129,357	7,307,368

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

6 INVESTMENT PROPERTIES

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</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>22,774,804</b>	33,781,009	27,926,378
Disposals	-	(2,174,206)	(2,199,714)
Depreciation	<b>(3,121,071)</b>	(1,442,741)	(927,257)
Foreign currency translation adjustment	<b>(2,721,274)</b>	(183,468)	(257,952)
	<b>346,174,631</b>	329,242,172	323,803,033

## 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 2022

#### 6 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD 80,792 (31 December 2021: KD 155,792 and 30 September 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 September</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 September</i> <i>2021</i> <i>KD</i>
At 1 January	192,947,712	156,518,264	156,518,264
Loans received	21,866,315	45,507,865	24,610,805
Loans paid	(8,897,949)	(9,014,538)	(170,540)
Foreign currency translation adjustment	(985,536)	(63,879)	(93,127)
	<u>204,930,542</u>	<u>192,947,712</u>	<u>180,865,402</u>
		<i>(Audited)</i>	
	<i>30 September</i> <i>2022</i> <i>KD</i>	<i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 September</i> <i>2021</i> <i>KD</i>
Commercial financing	8,552,864	9,038,400	17,909,152
Islamic financing	196,377,678	183,909,312	162,956,250
	<u>204,930,542</u>	<u>192,947,712</u>	<u>180,865,402</u>

Commercial financing denominated in Kuwaiti Dinar carries an interest rate of 1% per annum (31 December 2021: 1% per annum and 30 September 2021: 0.75% to 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 September 2021: 2.6275% per annum).

Commercial financing amounting to KD 4,252,864 (31 December 2021: KD 5,330,112 and 30 September 2021: KD 5,209,152) has been obtained by foreign subsidiaries.

The average profit rate attributable to Islamic financing during the period which carries an interest rate of 1% per annum (31 December 2021: 1% to 1.25% per annum and 30 September 2021: 1% to 1.25% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 193,877,678 (31 December 2021: KD 182,409,312 and 30 September 2021: KD 161,456,250) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 73,650,000 (31 December 2021: KD 66,000,000 and 30 September 2021: KD 66,000,000) is secured by an investment property with a carrying value of KD 284,486,343 (31 December 2021: KD 266,186,751 and 30 September 2021: KD 261,210,333).

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

# 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 2022

### 9 TREASURY SHARES

At 30 September 2022, the Parent Company held 23,579,556 of its own shares (31 December 2021: 19,292,201 shares and 30 September 2021: 17,433,978 shares), equivalent to 4.38% (31 December 2021: 3.76% and 30 September 2021: 3.40%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 10,988,073 (31 December 2021: KD 10,205,574 and 30 September 2021: KD 9,832,764). 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</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<b>30 September 2022</b>			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	223,655	-	223,655
Managed unquoted portfolio	-	274,170	274,170
Unquoted equity securities	-	6,753,965	6,753,965
	<b>223,655</b>	<b>7,028,135</b>	<b>7,251,790</b>
	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<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
	<b>206,463</b>	<b>6,922,894</b>	<b>7,129,357</b>
	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<b>30 September 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
	<b>195,263</b>	<b>7,112,105</b>	<b>7,307,368</b>

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

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

As at and for the period ended 30 September 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 September 2022 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,922,894	105,241	7,028,135
	<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 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

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)

As at and for the period ended 30 September 2022

11 SEGMENTAL INFORMATION (continued)

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

	Nine months ended 30 September 2022			Nine months ended 30 September 2021		
	Real estate operations KD	Hotel operations KD	Total KD	Real estate operations KD	Hotel operations KD	Total KD
Segment revenue	23,500,857	2,731,734	26,232,591	12,894,104	811,822	13,705,926
Segment operating costs	(5,390,297)	(1,308,226)	(6,698,523)	(2,626,819)	(738,969)	(3,365,788)
Segment gross profit	18,110,560	1,423,508	19,534,068	10,267,285	72,853	10,340,138
Share in joint venture's results, net of tax	2,758,011	-	2,758,011	277,449	-	277,449
Gain from sale of land	-	-	-	(2,177,373)	(517,242)	(2,694,615)
Depreciation and amortization	(3,460,056)	(494,811)	(3,954,867)	1,362,442	-	1,362,442
Other operating expenses	(3,051,879)	(653,588)	(3,705,467)	(2,689,576)	(469,488)	(3,159,064)
Finance costs	(1,963,136)	(22,581)	(1,985,717)	(384,159)	(4,428)	(388,587)
Taxation on overseas subsidiaries	(253,631)	-	(253,631)	(193,901)	-	(193,901)
Segment results	12,139,869	252,528	12,392,397	6,462,067	(918,305)	5,543,762
Interest income			16,955			6,652
Investment income			327,298			12,100
Other non-operating income, (net)			90,580			555,505
KFAS, NLSST and Zakat			(577,263)			(275,523)
Profit for the period			12,249,967			5,842,496

**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 2022

**11 SEGMENTAL INFORMATION (continued)**

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

	<b>30 September 2022</b>		<b>31 December 2021 (Audited)</b>		<b>30 September 2021</b>		
	<i>Real estate operations</i> <i>KD</i>	<i>Hotel operations</i> <i>KD</i>	<i>Real estate operations</i> <i>KD</i>	<i>Hotel operations</i> <i>KD</i>	<i>Real estate operations</i> <i>KD</i>	<i>Hotel operations</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Total assets	<b>406,422,869</b>	<b>1,602,904</b>	<b>390,802,536</b>	<b>1,140,429</b>	<b>384,449,019</b>	<b>836,459</b>	<b>385,285,478</b>
Segment liabilities	<b>245,520,993</b>	<b>1,483,115</b>	<b>229,421,183</b>	<b>846,767</b>	<b>226,097,796</b>	<b>1,385,478</b>	<b>227,483,274</b>
Capital expenditure	<b>23,250,415</b>	<b>534,214</b>	<b>34,006,173</b>	<b>942,111</b>	<b>28,078,818</b>	<b>903,484</b>	<b>28,982,302</b>

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

As at and for the period ended 30 September 2022

**12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

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

	<i>30 September</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 September</i> <i>2021</i> <i>KD</i>
Letters of guarantee	1,250,027	1,260,027	1,222,632
Construction projects	28,271,332	48,528,441	39,067,777
	<u>29,521,359</u>	<u>49,788,468</u>	<u>40,290,409</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>other related</i> <i>parties</i> <i>KD</i>	<i>30 September</i> <i>2022</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD</i>	<i>30 September</i> <i>2021</i> <i>KD</i>
Due from related parties*	209,489	209,489	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 September</i>		<i>Nine months ended</i> <i>30 September</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	121,463	113,017	376,689	436,357
Employees' end of service benefits	35,811	33,386	189,738	171,755
	<u>157,274</u>	<u>146,403</u>	<u>566,427</u>	<u>608,112</u>