

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

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

31 MARCH 2023





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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 2023, 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 2023 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 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



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

9 May 2023
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 2023

	<i>Three months ended</i>	
	<i>31 March</i>	
	2023	2022
<i>Note</i>	KD	KD
Revenue	9,804,230	7,976,118
Operating costs	(2,884,036)	(1,996,709)
Gross profit	6,920,194	5,979,409
Share of joint venture's results, net of tax	(221,569)	275,198
General and administrative expenses	(1,247,794)	(1,288,075)
Depreciation and amortization	(1,466,541)	(1,195,294)
Sales and marketing expenses	(184,661)	(246,472)
Foreign exchange gain (loss)	58,134	(34,503)
Recovery of insurance claims	750,000	-
Other income, net	171,979	67,199
Finance costs	(865,301)	(487,010)
PROFIT BEFORE TAXATION	3,914,441	3,070,452
Taxation on overseas subsidiaries	-	(84,544)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	3,914,441	2,985,908
KFAS	(39,360)	(29,842)
NLST	(98,399)	(74,604)
Zakat	(39,360)	(29,843)
PROFIT FOR THE PERIOD	3,737,322	2,851,619
Attributable to:		
Equity holders of the Parent Company	3,758,856	2,849,883
Non-controlling interests	(21,534)	1,736
	3,737,322	2,851,619
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	
	6.89 fils	5.23 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 31 March 2023

	<i>Three months ended</i>	
	<i>31 March</i>	
	2023	2022
	KD	KD
Profit for the period	3,737,322	2,851,619
Other comprehensive income (loss)		
<i>Other comprehensive income (loss) that are or may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	373,225	(992,223)
	373,225	(992,223)
<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	(167,913)	48,669
	(167,913)	48,669
Other comprehensive income (loss) for the period	205,312	(943,554)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,942,634	1,908,065
Attributable to:		
Equity holders of the Parent Company	3,968,207	1,908,316
Non-controlling interests	(25,573)	(251)
	3,942,634	1,908,065

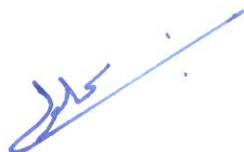
The attached notes 1 to 13 form an integral part of the interim condensed consolidated financial information.

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

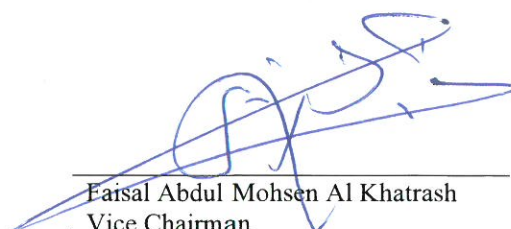
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 March 2023

		(Audited)	
	Notes	31 March 2023 KD	31 December 2022 KD
ASSETS			
Cash on hand and at banks	4	4,675,264	5,391,474
Inventories		216,084	201,414
Accounts receivable and other assets		8,031,155	8,120,301
Financial assets at fair value through other comprehensive income	5	6,316,751	6,484,664
Investment in a joint venture		12,604,705	12,933,568
Investment properties	6	354,816,287	349,158,841
Property and equipment		40,514,635	36,500,938
Right-of-use assets		-	49,569
TOTAL ASSETS		427,174,881	418,840,769
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institution		7,831,647	5,718,292
Accounts payable and other liabilities		47,059,556	36,933,052
Commercial financing	7	10,907,600	11,785,104
Islamic financing	7	195,006,726	196,133,555
Lease liabilities		-	205,127
TOTAL LIABILITIES		260,805,529	250,775,130
EQUITY			
Share capital	8	53,835,958	53,835,958
Share premium		35,055,163	35,055,163
Treasury shares	9	(6,936,673)	(8,518,594)
Treasury shares reserve		5,257,598	4,670,487
Statutory reserve		30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290
Retained earnings		41,910,210	45,959,307
Fair value reserve		(591,830)	(423,917)
Foreign currency translation reserve		(12,958,710)	(13,335,974)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		166,341,517	168,012,231
Non-controlling interests		27,835	53,408
TOTAL EQUITY		166,369,352	168,065,639
TOTAL LIABILITIES AND EQUITY		427,174,881	418,840,769



Ghazi Fahad Alnafisi
Chairman



Faisal Abdul Mohsen Al Khatrash
Vice 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 31 March 2023

Equity attributable to equity holders of the Parent Company

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Retained earnings KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Subtotal KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
Balance as at 1 January 2023 <i>(Audited)</i>	53,835,958	35,055,163	(8,518,594)	4,670,487	30,280,511	20,489,290	45,959,307	(423,917)	(13,335,974)	168,012,231	53,408	168,065,639
Profit (loss) for the period	-	-	-	-	-	-	3,758,856	-	-	3,758,856	(21,534)	3,737,322
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	(167,913)	377,264	209,351	(4,039)	205,312
Total comprehensive income (loss) for the period	-	-	-	-	-	-	3,758,856	(167,913)	377,264	3,968,207	(25,573)	3,942,634
Purchase of treasury shares	-	-	(528)	-	-	-	-	-	-	(528)	-	(528)
Sale of treasury shares	-	-	1,582,449	587,111	-	-	-	-	-	2,169,560	-	2,169,560
Dividends (Note 8)	-	-	-	-	-	-	(7,807,953)	-	-	(7,807,953)	-	(7,807,953)
Balance as at 31 March 2023	53,835,958	35,055,163	(6,936,673)	5,257,598	30,280,511	20,489,290	41,910,210	(591,830)	(12,958,710)	166,341,517	27,835	166,369,352
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)
Balance as at 31 March 2022	53,835,958	35,055,163	(8,702,251)	4,454,134	30,280,511	20,489,290	34,242,125	348,895	(15,030,266)	154,973,559	62,228	155,035,787

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 31 March 2023

	Notes	Three months ended 31 March	
		2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		3,914,441	2,985,908
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		221,569	(275,198)
Provision for employees' end of service benefits		279,133	144,888
Depreciation and amortization		1,466,541	1,195,294
Foreign exchange (gain) loss		(58,134)	34,503
Recovery of insurance claims		(750,000)	-
Finance costs		865,301	487,010
		<u>5,938,851</u>	<u>4,572,405</u>
Change in operating assets and liabilities:			
Inventories		(14,670)	3,185
Accounts receivable and other assets		839,146	308,476
Accounts payable and other liabilities		2,036,413	368,039
		<u>8,799,740</u>	<u>5,252,105</u>
Cash from operations		8,799,740	5,252,105
Employees' end of service benefits paid		(139,838)	(825,843)
KFAS paid		(153,732)	(98,848)
NLST paid		-	(247,119)
Zakat paid		-	(98,849)
Directors' remuneration paid		(120,000)	(120,000)
		<u>8,386,170</u>	<u>3,861,446</u>
Net cash flows from operating activities		<u>8,386,170</u>	<u>3,861,446</u>
INVESTING ACTIVITIES			
Additions to investment properties	6	(6,261,020)	(7,328,342)
Additions to property and equipment		(4,299,714)	(38,739)
		<u>(10,560,734)</u>	<u>(7,367,081)</u>
Net cash flows used in investing activities		<u>(10,560,734)</u>	<u>(7,367,081)</u>
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings	7	7,780,780	12,015,435
Repayment of commercial and Islamic financings	7	(9,907,610)	(5,450,000)
Movement in due to banks and financial institutions		2,113,355	11,036
Finance costs paid		(865,301)	(487,010)
Payment of lease liability		(205,127)	(279,858)
Purchase of treasury shares		(528)	(1,414,875)
Proceeds from sale of treasury shares		2,169,560	236,831
		<u>1,085,129</u>	<u>4,631,559</u>
Net cash flows from financing activities		<u>1,085,129</u>	<u>4,631,559</u>
NET (DECREASE) INCREASE IN CASH ON HAND AND AT BANKS		<u>(1,089,435)</u>	<u>1,125,924</u>
Foreign currency translation adjustment		373,225	(992,223)
Cash on hands and at banks at 1 January		5,391,474	4,002,697
		<u>4,675,264</u>	<u>4,136,398</u>
CASH ON HAND AND AT BANKS AT 31 MARCH	4	<u>4,675,264</u>	<u>4,136,398</u>
Non-cash transactions:			
Dividends payable (included in accounts payable and other liabilities)	8	(7,807,953)	(7,369,249)
Recovery of insurance claims (included in accounts receivable and other assets)		750,000	-

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 31 March 2023

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 2023 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 9 May 2023.

On 21 March 2023, 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 2022 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 2022. Furthermore, results for the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023.

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 2023

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<u>2023</u>	<u>2022</u>
Profit for the period attributable to equity holders of the Parent Company (KD)	3,758,856	2,849,883
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	545,270,010	544,582,338
Basic and diluted earnings per share	6.89 fils	5.23 fils

Earnings per share for the three months period ended 31 March 2022 was 5.51 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>2023</i>	<i>31 December</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash on hand	18,628	20,776	23,831
Bank balances	4,656,636	5,370,698	4,112,567
	4,675,264	5,391,474	4,136,398

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2023</i>	<i>31 December</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Managed quoted portfolio	232,575	232,575	254,705
Managed unquoted portfolio	274,170	274,170	268,546
Unquoted equity securities	5,810,006	5,977,919	6,654,775
	6,316,751	6,484,664	7,178,026

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>2023</i>	<i>31 December</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January	349,158,841	329,242,172	329,242,172
Additions	6,261,020	27,142,690	7,328,342
Depreciation	(982,134)	(4,224,642)	(915,582)
Impairment	-	(1,667,656)	-
Foreign currency translation adjustment	378,560	(1,333,723)	(297,965)
	354,816,287	349,158,841	335,356,967

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 2023

6 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD 80,278 (31 December 2022: KD 80,287 and 31 March 2022: 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>31 March</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>31 March</i> <i>2022</i> <i>KD</i>
At 1 January	207,918,659	192,947,712	192,947,712
Loans received	7,780,780	36,900,514	12,015,435
Loans paid	(9,907,610)	(21,426,271)	(5,450,000)
Foreign currency translation adjustment	122,497	(503,296)	(119,616)
	<u>205,914,326</u>	<u>207,918,659</u>	<u>199,393,531</u>
	<i>31 March</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>31 March</i> <i>2022</i> <i>KD</i>
Commercial financing	10,907,600	11,785,104	8,418,784
Islamic financing	195,006,726	196,133,555	190,974,747
	<u>205,914,326</u>	<u>207,918,659</u>	<u>199,393,531</u>

Commercial financing denominated in Kuwaiti Dinar carries an interest rate of 1% per annum (31 December 2022: 1% per annum and 31 March 2022: 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing denominated in GBP carries variable interest rates 2.6% per annum+ SONIA rate (31 December 2022: 2.6 % per annum + SONIA rate and 31 March 2022: 2.6% per annum+SONIA rate).

Commercial financing amounting to KD 4,857,600 (31 December 2022: KD 4,735,104 and 31 March 2022: KD 5,118,784) 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 2022: 1% per annum and 31 March 2022: 1% to 1.25% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 195,006,726 (31 December 2022: KD 196,133,554 and 31 March 2022: KD 190,974,747) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 72,750,000 (31 December 2022: KD 73,200,000 and 31 March 2022: KD 74,550,000) is secured by an investment property with a carrying value of KD 292,797,505 (31 December 2022: KD 287,538,443 and 31 March 2022: KD 272,158,422).

8 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 21 March 2023, the shareholders approved the distribution of cash dividends of 15 fils (2021: 15 fils) per share, amounting to KD 7,807,953 for the year ended 31 December 2022 which paid subsequently on 26 April 2023 (2021: KD 7,369,249) in addition to the issuance of bonus shares of 26,917,979 (2021: 25,636,171) 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 3 April 2023.

As at 31 March 2023, the authorized, issued and paid up capital comprises of 538,359,584 shares (31 December 2022: 538,359,584 shares and 31 March 2022: 538,359,584 shares) at 100 fils (31 December 2022: 100 fils and 31 March 2022: 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 31 March 2023

9 TREASURY SHARES

At 31 March 2023, the Parent Company held 17,829,382 of its own shares (31 December 2022: 21,895,772 shares and 31 March 2022: 21,540,644 shares), equivalent to 3.15% (31 December 2022: 4.07% and 31 March 2022: 4.2%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 9,413,914 (31 December 2022: KD 11,232,531 and 31 March 2022: KD 11,265,757). 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>
31 March 2023			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	232,575	-	232,575
Managed unquoted portfolio	-	274,170	274,170
Unquoted equity securities	-	5,810,006	5,810,006
	232,575	6,084,176	6,316,751
31 December 2022 (Audited)	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	232,575	-	232,575
Managed unquoted portfolio	-	274,170	274,170
Unquoted equity securities	-	5,977,919	5,977,919
	232,575	6,252,089	6,484,664
31 March 2022	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Assets measured at fair value</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
	254,705	6,923,321	7,178,026

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 2023 KD</i>	<i>Change in fair value KD</i>	<i>As at 31 March 2023 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,252,089	(167,913)	6,084,176
	<i>As at 1 January 2022 KD</i>	<i>Change in fair value KD</i>	<i>As at 31 December 2022 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,922,894	(670,805)	6,252,089
	<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

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 31 March 2023

11 SEGMENTAL INFORMATION (continued)

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

	<i>Three months ended 31 March 2023</i>			<i>Three months ended 31 March 2022</i>		
	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Total KD</i>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Total KD</i>
Segment revenue	8,490,390	1,313,840	9,804,230	7,241,687	734,431	7,976,118
Segment operating costs	(2,319,960)	(564,076)	(2,884,036)	(1,617,476)	(379,233)	(1,996,709)
Segment gross profit	6,170,430	749,764	6,920,194	5,624,211	355,198	5,979,409
Share in joint venture's results, net of tax	(221,569)	-	(221,569)	275,198	-	275,198
Depreciation and amortization	(1,307,331)	(159,210)	(1,466,541)	(1,027,985)	(167,309)	(1,195,294)
Other operating expenses	(1,122,012)	(310,443)	(1,432,455)	(1,335,350)	(199,197)	(1,534,547)
Finance costs	(854,867)	(10,434)	(865,301)	(480,837)	(6,173)	(487,010)
Taxation on overseas subsidiaries	-	-	-	(84,544)	-	(84,544)
Segment results	2,664,651	269,677	2,934,328	2,970,693	(17,481)	2,953,212
Recovery of insurance claims			750,000			-
Other non-operating income, (net)			230,113			32,696
KFAS, NLST and Zakat			(177,119)			(134,289)
Profit for the period			3,737,322			2,851,619

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 2023

11 SEGMENTAL INFORMATION (continued)

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

	<u>31 March 2023</u>			<u>31 December 2022 (Audited)</u>			<u>31 March 2022</u>		
	<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	424,870,426	2,304,455	427,174,881	417,157,281	1,683,488	418,840,769	396,895,494	1,151,833	398,047,327
Segment liabilities	259,035,332	1,770,197	260,805,529	249,838,638	936,492	250,775,130	241,892,921	1,118,619	243,011,540
Capital expenditure	6,369,106	362,681	6,731,787	31,795,047	958,696	32,753,743	7,352,767	14,314	7,367,081

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>31 March</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>31 March</i> <i>2022</i> <i>KD</i>
Letters of guarantee	1,250,027	1,250,027	1,260,027
Construction projects	29,905,245	38,645,958	43,392,850
	<u>31,155,272</u>	<u>39,895,985</u>	<u>44,652,877</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>31 March</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>31 March</i> <i>2022</i> <i>KD</i>
Due from related parties*	-	-	64,445	7,900
	<u>-</u>	<u>-</u>	<u>64,445</u>	<u>7,900</u>

* 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>31 March</i>	
	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Short-term benefits	150,617	123,104
Employees' end of service benefits	122,250	42,431
	<u>272,867</u>	<u>165,535</u>

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