

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

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

30 SEPTEMBER 2023



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20 Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

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 2023, 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 months periods then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine 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

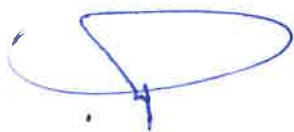
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

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 nine months period ended 30 September 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 nine months period ended 30 September 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)

8 November 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 30 September 2023

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2023	2022	2023	2022
		KD	KD	KD	KD
Revenue		10,282,269	9,072,953	30,336,934	26,232,591
Operating costs		(1,872,793)	(2,016,881)	(7,374,482)	(6,698,523)
Gross profit		8,409,476	7,056,072	22,962,452	19,534,068
Share of joint venture's results, net of tax		993,645	2,195,816	1,291,288	2,758,011
General and administrative expenses		(973,105)	(831,355)	(3,531,713)	(3,455,353)
Depreciation and amortization		(1,468,527)	(1,417,779)	(4,709,855)	(3,954,867)
Sales and marketing expenses		(67,394)	(1,161)	(375,936)	(250,114)
Investment (loss) income		(602)	263,515	57,813	344,253
Foreign exchange loss		(110,269)	(9,502)	(55,620)	(48,966)
Recovery of insurance claims		-	-	750,000	-
Gain from sale of investment property	6	539,598	-	539,598	-
Other income, net		15,590	19,568	183,572	139,546
Finance costs		(2,019,587)	(796,671)	(4,205,900)	(1,985,717)
PROFIT BEFORE TAXATION		5,318,825	6,478,503	12,905,699	13,080,861
Taxation on overseas subsidiaries		-	(84,543)	-	(253,631)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT		5,318,825	6,393,960	12,905,699	12,827,230
KFAS		(53,087)	(64,050)	(128,573)	(128,280)
NLST		(132,718)	(160,127)	(321,433)	(320,701)
Zakat		(53,087)	(64,052)	(128,573)	(128,282)
PROFIT FOR THE PERIOD		5,079,933	6,105,731	12,327,120	12,249,967
Attributable to:					
Equity holders of the Parent Company		5,069,822	6,116,833	12,278,732	12,250,777
Non-controlling interests		10,111	(11,102)	48,388	(810)
		5,079,933	6,105,731	12,327,120	12,249,967
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	9.3 fils	11.2 fils	22.4 fils	22.6 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 September 2023

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	5,079,933	6,105,731	12,327,120	12,249,967
Other comprehensive income (loss)				
<i>Items 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	302,025	(206,439)	88,027	(4,027,109)
	302,025	(206,439)	88,027	(4,027,109)
<i>Items 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	622,919	(168,645)	318,661	122,433
	622,919	(168,645)	318,661	122,433
Other comprehensive income (loss) for the period	924,944	(375,084)	406,688	(3,904,676)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,004,877	5,730,647	12,733,808	8,345,291
Attributable to:				
Equity holders of the Parent Company	6,015,718	5,727,636	12,643,734	8,316,502
Non-controlling interests	(10,841)	3,011	90,074	28,789
	6,004,877	5,730,647	12,733,808	8,345,291

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 September 2023

		30 September 2023	(Audited) 31 December 2022	30 September 2022
	Notes	KD	KD	KD
ASSETS				
Cash on hand and at banks	4	9,591,153	5,391,474	2,599,174
Inventories		209,705	201,414	220,169
Accounts receivable and other assets		7,350,416	8,120,301	8,009,806
Financial assets at fair value through other comprehensive income	5	6,803,325	6,484,664	7,251,790
Investment in a joint venture		8,797,274	12,933,568	11,415,244
Investment properties	6	357,550,012	349,158,841	346,174,631
Property and equipment		46,739,293	36,500,938	32,252,848
Right-of-use assets		-	49,569	102,111
TOTAL ASSETS		437,041,178	418,840,769	408,025,773
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institution		5,581,181	5,718,292	4,423,604
Accounts payable and other liabilities		39,163,783	36,933,052	37,298,768
Commercial financing	7	14,563,040	11,785,104	8,552,864
Islamic financing	7	201,725,245	196,133,555	196,377,678
Lease liabilities		-	205,127	351,194
TOTAL LIABILITIES		261,033,249	250,775,130	247,004,108
EQUITY				
Share capital	8	56,527,756	53,835,958	53,835,958
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	9	(6,679,975)	(8,518,594)	(9,159,241)
Treasury shares reserve		5,848,303	4,670,487	4,454,134
Statutory reserve		30,280,511	30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		47,738,288	45,959,307	43,648,661
Fair value reserve		(105,256)	(423,917)	422,659
Foreign currency translation reserve		(13,289,633)	(13,335,974)	(18,096,738)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		175,864,447	168,012,231	160,930,397
Non-controlling interests		143,482	53,408	91,268
TOTAL EQUITY		176,007,929	168,065,639	161,021,665
TOTAL LIABILITIES AND EQUITY		437,041,178	418,840,769	408,025,773

Ghazi Fahad Alnafisi
Chairman

Faisal Abdulmohsen 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 30 September 2023

	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 2023 (Audited)	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 for the period	-	-	-	-	-	-	12,278,732	-	-	12,278,732	48,388	12,327,120
Other comprehensive income for the period	-	-	-	-	-	-	-	318,661	46,341	365,002	41,686	406,688
Total comprehensive income for the period	-	-	-	-	-	-	12,278,732	318,661	46,341	12,643,734	90,074	12,733,808
Issuance of bonus shares (Note 8)	2,691,798	-	-	-	-	-	(2,691,798)	-	-	-	-	-
Purchase of treasury shares	-	-	(1,464,756)	-	-	-	-	-	-	(1,464,756)	-	(1,464,756)
Sale of treasury shares	-	-	3,303,375	1,177,816	-	-	-	-	-	4,481,191	-	4,481,191
Dividends (Note 8)	-	-	-	-	-	-	(7,807,953)	-	-	(7,807,953)	-	(7,807,953)
Balance as at 30 September 2023	56,527,756	35,055,163	(6,679,975)	5,848,303	30,280,511	20,489,290	47,738,288	(105,256)	(13,289,633)	175,864,447	143,482	176,007,929
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)	-	-	-	-	-
Purchase of treasury shares	-	-	(1,876,311)	-	-	-	-	-	-	(1,876,311)	-	(1,876,311)
Sale of treasury shares	-	-	184,120	57,157	-	-	-	-	-	241,277	-	241,277
Dividends (Note 8)	-	-	-	-	-	-	(7,363,607)	-	-	(7,363,607)	-	(7,363,607)
Balance as at 30 September 2022	53,835,958	35,055,163	(9,159,241)	4,454,134	30,280,511	20,489,290	43,648,661	422,659	(18,096,738)	160,930,397	91,268	161,021,665

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 2023

	Notes	Nine months ended 30 September	
		2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit for the period before provision for contribution to KFAS, NLST and Zakat		12,905,699	12,827,230
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		(1,291,288)	(2,758,011)
Provision for employees' end of service benefits		490,621	542,609
Depreciation and amortization		4,709,855	3,954,867
Gain from sale of investment property		(539,598)	-
Investment income		(57,813)	(344,253)
Foreign exchange loss		55,620	48,966
Finance costs		4,205,900	1,985,717
		<u>20,478,996</u>	<u>16,257,125</u>
Change in operating assets and liabilities:			
Inventories		(8,291)	88,809
Accounts receivable and other assets		819,454	1,700,897
Accounts payable and other liabilities		2,067,397	2,296,080
		<u>23,357,556</u>	<u>20,342,911</u>
Cash from operations			
Employees' end of service benefits paid		(164,270)	(1,048,832)
KFAS paid		(153,732)	(99,147)
NLST paid		(377,345)	(247,867)
Zakat paid		(90,519)	(99,147)
Directors' remuneration paid		(120,000)	(120,000)
		<u>22,451,690</u>	<u>18,727,918</u>
INVESTING ACTIVITIES			
Additions to investment properties	6	(12,837,197)	(22,774,804)
Proceeds from disposal of investment property	6	1,441,995	-
Additions to property and equipment		(11,064,457)	(1,009,825)
Dividends received from investment in a joint venture		4,900,000	-
Investment income received		57,813	344,253
		<u>(17,501,846)</u>	<u>(23,440,376)</u>
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings	7	25,195,827	21,866,315
Repayment of commercial and Islamic financings	7	(16,987,297)	(8,897,949)
Movement in due to banks and financial institutions		(137,111)	3,326,953
Finance costs paid		(4,205,900)	(1,985,717)
Dividends paid		(7,807,953)	(7,363,607)
Payment of lease liability		(205,127)	(956,417)
Purchase of treasury shares		(1,464,756)	(1,876,311)
Proceeds from sale of treasury shares		4,481,191	241,277
		<u>(1,131,126)</u>	<u>4,354,544</u>
Net cash flows (used in) from financing activities			
NET INCREASE (DECREASE) IN CASH ON HAND AND AT BANKS		3,818,718	(357,914)
Foreign currency translation adjustment		380,961	(1,045,609)
Cash on hands and at banks at 1 January		5,391,474	4,002,697
CASH ON HAND AND AT BANKS AT 30 SEPTEMBER	4	9,591,153	2,599,174

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 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 nine months period ended 30 September 2023 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 8 November 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 nine months period ended 30 September 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 30 September 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 30 September 2023

3 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	5,069,822	6,116,833	12,278,732	12,250,777
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	543,249,156	545,984,742	547,283,016	542,800,133
Basic and diluted earnings per share	9.3 fils	11.2 fils	22.4 fils	22.6 fils

Earnings per share for the nine- and three-months period ended 30 September 2022 was 23.7 and 11.8 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>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>30 September</i> <i>2022</i> <i>KD</i>
Cash on hand	65,547	20,776	13,618
Bank balances	9,525,606	5,370,698	2,585,556
	9,591,153	5,391,474	2,599,174

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 September</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>30 September</i> <i>2022</i> <i>KD</i>
Managed quoted portfolio	302,400	232,575	223,655
Managed unquoted portfolio	274,170	274,170	274,170
Unquoted equity securities	6,226,755	5,977,919	6,753,965
	6,803,325	6,484,664	7,251,790

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

6 INVESTMENT PROPERTIES

	<i>30 September</i> <i>2023</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2022</i> <i>KD</i>	<i>30 September</i> <i>2022</i> <i>KD</i>
As at 1 January	349,158,841	329,242,172	329,242,172
Additions	13,117,526	27,142,690	22,774,804
Disposal*	(902,397)	-	-
Depreciation	(4,164,082)	(4,224,642)	(3,121,071)
Impairment	-	(1,667,656)	-
Foreign currency translation adjustment	340,124	(1,333,723)	(2,721,274)
	357,550,012	349,158,841	346,174,631

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 2023

6 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD 80,287 (31 December 2022: KD 80,287 and 30 September 2022: KD 80,792) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of these properties.

*During the period ended 30 September 2023, one of the Group's subsidiary sold investment property with total carrying value of GBP 2,351,367 (equivalent to KD 902,397) for a total consideration of GBP 3,750,000 (equivalent to KD: 1,441,995) which resulted in a gain of GBP 1,406,025 (equivalent to KD 539,598) which is recognised in interim condensed consolidated statement of profit or loss.

7 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 September 2023 KD</i>	<i>(Audited) 31 December 2022 KD</i>	<i>30 September 2022 KD</i>
At 1 January	207,918,659	192,947,712	192,947,712
Loans received	25,195,827	36,900,514	21,866,315
Loans paid	(16,987,297)	(21,426,271)	(8,897,949)
Foreign currency translation adjustment	161,096	(503,296)	(985,536)
	<u>216,288,285</u>	<u>207,918,659</u>	<u>204,930,542</u>
		<i>(Audited)</i>	
	<i>30 September 2023 KD</i>	<i>31 December 2022 KD</i>	<i>30 September 2022 KD</i>
Commercial financing	14,563,040	11,785,104	8,552,864
Islamic financing	201,725,245	196,133,555	196,377,678
	<u>216,288,285</u>	<u>207,918,659</u>	<u>204,930,542</u>

Commercial financing denominated in Kuwaiti Dinar carries an interest rate of 1% per annum (31 December 2022: 1% per annum and 30 September 2022: 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing denominated in GBP carries variable interest rates 5.19% + SONIA rate (31 December 2022: 2.6 % + SONIA rate and 30 September 2022: 3.589% +SONIA rate).

Commercial financing amounting to KD 3,013,040 (31 December 2022: KD 4,735,104 and 30 September 2022: KD 4,252,864) 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 30 September 2022: 1% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 201,725,245 (31 December 2022: KD 196,133,554 and 30 September 2022: KD 193,877,678) has been obtained by a local subsidiary, part of this Islamic financing amounting to KD 71,850,000 (31 December 2022: KD 73,200,000 and 30 September 2022: KD 73,650,000) is secured by an investment property with a carrying value of KD 291,829,483 (31 December 2022: KD 287,538,443 and 30 September 2022: KD 284,486,343).

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 (2021: KD 7,363,607) which paid subsequently on 26 April 2023, 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 30 September 2023, the authorized, issued and paid up capital comprises of 565,277,563 shares (31 December 2022: 538,359,584 shares and 30 September 2022: 538,359,584 shares) at 100 fils (31 December 2022: 100 fils and 30 September 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 30 September 2023

9 TREASURY SHARES

At 30 September 2023, the Parent Company held 17,228,014 of its own shares (31 December 2022: 21,895,772 shares and 30 September 2022: 23,579,556 shares), equivalent to 3.05% (31 December 2022: 4.07% and 30 September 2022: 4.38%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 7,184,082 (31 December 2022: KD 11,232,531 and 30 September 2022: KD 10,988,073). 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>
30 September 2023			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	302,400	-	302,400
Managed unquoted portfolio	-	274,170	274,170
Unquoted equity securities	-	6,226,755	6,226,755
	<u>302,400</u>	<u>6,500,925</u>	<u>6,803,325</u>
	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 December 2022 (Audited)			
<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
	<u>232,575</u>	<u>6,252,089</u>	<u>6,484,664</u>
	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
30 September 2022			
<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
	<u>223,655</u>	<u>7,028,135</u>	<u>7,251,790</u>

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 2023

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 30 September 2023 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,252,089	248,836	6,500,925
	<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 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

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, Arraya Ball Room – Kuwait and Marriott Executive Apartments- 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 2023

11 SEGMENTAL INFORMATION (continued)

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

	<i>Nine months ended 30 September 2023</i>			<i>Nine months ended 30 September 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	26,930,580	3,406,354	30,336,934	23,500,857	2,731,734	26,232,591
Segment operating costs	(5,654,093)	(1,720,389)	(7,374,482)	(5,390,297)	(1,308,226)	(6,698,523)
Segment gross profit	21,276,487	1,685,965	22,962,452	18,110,560	1,423,508	19,534,068
Share in joint venture's results, net of tax	1,291,288	-	1,291,288	2,758,011	-	2,758,011
Depreciation and amortization	(4,078,426)	(631,429)	(4,709,855)	(3,460,056)	(494,811)	(3,954,867)
Gain from sale of investment property	539,598	-	539,598	-	-	-
Other operating expenses	(2,465,222)	(1,442,427)	(3,907,649)	(3,051,879)	(653,588)	(3,705,467)
Finance costs	(4,176,523)	(29,377)	(4,205,900)	(1,963,136)	(22,581)	(1,985,717)
Taxation on overseas subsidiaries	-	-	-	(253,631)	-	(253,631)
Segment results	12,387,202	(417,268)	11,969,934	12,139,869	252,528	12,392,397
Recovery of insurance claims			750,000			-
Investment income			57,813			344,253
Other non-operating income, (net)			127,952			90,580
KFAS, NLST and Zakat			(578,579)			(577,263)
Profit for the period			12,327,120			12,249,967

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 30 September 2023

11 SEGMENTAL INFORMATION (continued)

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

	30 September 2023			31 December 2022 (Audited)			30 September 2022		
	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	435,241,106	1,800,072	437,041,178	417,157,281	1,683,488	418,840,769	406,422,869	1,602,904	408,025,773
Segment liabilities	259,050,032	1,983,217	261,033,249	249,838,638	936,492	250,775,130	245,520,993	1,483,115	247,004,108
Capital expenditure	22,009,260	1,847,151	23,856,411	31,795,047	958,696	32,753,743	23,250,415	534,214	23,784,629

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 2023

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	30 September 2023 KD	<i>(Audited)</i> 31 December 2022 KD	30 September 2022 KD
Letters of guarantee	1,250,027	1,250,027	1,250,027
Construction projects	24,737,580	38,645,958	28,271,332
	<u>25,987,607</u>	<u>39,895,985</u>	<u>29,521,359</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 parties KD</i>	30 September 2023 KD	<i>(Audited)</i> 31 December 2022 KD	30 September 2022 KD
Due from related parties*	-	-	64,445	209,489
			<u>64,445</u>	<u>209,489</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 30 September</i>		<i>Nine months ended 30 September</i>	
	2023 KD	2022 KD	2023 KD	2022 KD
Short-term benefits	114,961	121,463	383,221	376,689
Employees' end of service benefits	35,976	35,811	213,683	189,738
	<u>150,937</u>	<u>157,274</u>	<u>596,904</u>	<u>566,427</u>