

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

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

30 JUNE 2024



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Salhia Real Estate Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2024, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month 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 six-month period then end. The management of the Parent Company is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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 the 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.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2024 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 material violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Market Authority “CMA” and organization of security activity and its executive regulations, as amended, during the six-month period ended 30 June 2024 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

8 August 2024
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 June 2024

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2024	2023	2024	2023
<i>Note</i>	KD	<i>KD</i>	KD	<i>KD</i>
Revenue	11,112,085	10,250,435	22,268,097	20,054,665
Operating costs	(2,284,266)	(2,617,653)	(5,030,610)	(5,501,689)
Gross profit	8,827,819	7,632,782	17,237,487	14,552,976
Share of joint venture's results, net of tax	318,985	519,212	1,549,157	297,643
General and administrative expenses	(851,424)	(1,310,814)	(2,266,164)	(2,558,608)
Depreciation and amortization	(2,025,280)	(1,774,787)	(3,962,743)	(3,241,328)
Sales and marketing expenses	(110,084)	(123,881)	(320,577)	(308,542)
Dividends income	63,756	58,415	80,634	58,415
Recovery of insurance claims	-	-	-	750,000
Other income, net	(60,181)	(7,482)	87,329	222,631
Finance costs	(3,852,573)	(1,321,012)	(7,071,288)	(2,186,313)
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST") AND ZAKAT	2,311,018	3,672,433	5,333,835	7,586,874
KFAS	(22,935)	(36,126)	(52,949)	(75,486)
NLST	(57,338)	(90,316)	(132,372)	(188,715)
Zakat	(22,935)	(36,126)	(52,949)	(75,486)
PROFIT FOR THE PERIOD	2,207,810	3,509,865	5,095,565	7,247,187
Attributable to:				
Equity holders of the Parent Company	2,190,296	3,450,054	5,056,612	7,208,910
Non-controlling interests	17,514	59,811	38,953	38,277
	2,207,810	3,509,865	5,095,565	7,247,187
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3.82 fils	6.03 fils	8.81 fils	12.54 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2024

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	2,207,810	3,509,865	5,095,565	7,247,187
Other comprehensive (loss) income				
<i>Items that may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(310,014)	(587,223)	(1,507,668)	(213,998)
Net other comprehensive loss that may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods	(310,014)	(587,223)	(1,507,668)	(213,998)
<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	36,759	(136,345)	54,196	(304,258)
Net other comprehensive income (loss) that will not be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods	36,759	(136,345)	54,196	(304,258)
Other comprehensive loss for the period	(273,255)	(723,568)	(1,453,472)	(518,256)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,934,555	2,786,297	3,642,093	6,728,931
Attributable to:				
Equity holders of the Parent Company	1,952,208	2,659,809	3,681,667	6,628,016
Non-controlling interests	(17,653)	126,488	(39,574)	100,915
	1,934,555	2,786,297	3,642,093	6,728,931

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2024

		30 June 2024 KD	(Audited) 31 December 2023 KD	30 June 2023 KD
ASSETS				
Cash on hand and at banks	4	5,432,709	6,192,906	7,076,884
Inventories		199,564	202,205	215,148
Accounts receivable and other assets		10,283,074	24,933,379	6,585,118
Financial assets at fair value through other comprehensive income	5	6,922,406	6,868,210	6,180,407
Investment in a joint venture		10,444,998	9,802,678	12,679,136
Investment properties	6	435,878,780	360,996,365	358,327,752
Property and equipment		54,008,168	49,126,804	45,301,260
TOTAL ASSETS		523,169,699	458,122,547	436,365,705
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks and financial institution	4	14,235,600	14,303,492	6,776,389
Accounts payable and other liabilities		37,679,057	40,236,266	39,607,250
Commercial financing	7	21,358,160	18,203,880	14,688,600
Islamic financing	7	273,367,084	205,500,804	204,681,995
TOTAL LIABILITIES		346,639,901	278,244,442	265,754,234
EQUITY				
Share capital	8	59,354,144	56,527,756	56,527,756
Share premium		35,055,163	35,055,163	35,055,163
Treasury shares	9	(7,142,472)	(8,086,553)	(5,931,332)
Treasury shares reserve		6,118,701	5,848,303	5,708,079
Statutory reserve		30,280,511	30,280,511	30,280,511
Voluntary reserve		20,489,290	20,489,290	20,489,290
Retained earnings		45,495,691	51,470,346	42,668,466
Fair value reserve		13,825	(40,371)	(728,175)
Foreign currency translation reserve		(13,263,248)	(11,834,107)	(13,612,610)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		176,401,605	179,710,338	170,457,148
Non-controlling interests		128,193	167,767	154,323
TOTAL EQUITY		176,529,798	179,878,105	170,611,471
TOTAL LIABILITIES AND EQUITY		523,169,699	458,122,547	436,365,705



Ghazi Fahad Alnafisi
Chairman

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2024

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 2024 (<i>Audited</i>)	56,527,756	35,055,163	(8,086,553)	5,848,303	30,280,511	20,489,290	51,470,346	(40,371)	(11,834,107)	179,710,338	167,767	179,878,105
Profit for the period	-	-	-	-	-	-	5,056,612	-	-	5,056,612	38,953	5,095,565
Other comprehensive loss for the period	-	-	-	-	-	-	-	54,196	(1,429,141)	(1,374,945)	(78,527)	(1,453,472)
Total comprehensive income for the period	-	-	-	-	-	-	5,056,612	54,196	(1,429,141)	3,681,667	(39,574)	3,642,093
Issuance of bonus shares (Note 8)	2,826,388	-	-	-	-	-	(2,826,388)	-	-	-	-	-
Purchase of treasury shares	-	-	(623,948)	-	-	-	-	-	-	(623,948)	-	(623,948)
Sale of treasury shares	-	-	1,568,029	270,398	-	-	-	-	-	1,838,427	-	1,838,427
Dividends (Note 8)	-	-	-	-	-	-	(8,204,879)	-	-	(8,204,879)	-	(8,204,879)
Balance as at 30 June 2024	59,354,144	35,055,163	(7,142,472)	6,118,701	30,280,511	20,489,290	45,495,691	13,825	(13,263,248)	176,401,605	128,193	176,529,798
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 for the period	-	-	-	-	-	-	7,208,910	-	-	7,208,910	38,277	7,247,187
Other comprehensive income for the period	-	-	-	-	-	-	-	(304,258)	(276,636)	(580,894)	62,638	(518,256)
Total comprehensive income for the period	-	-	-	-	-	-	7,208,910	(304,258)	(276,636)	6,628,016	100,915	6,728,931
Issuance of bonus shares (Note 8)	2,691,798	-	-	-	-	-	(2,691,798)	-	-	-	-	-
Purchase of treasury shares	-	-	(159,919)	-	-	-	-	-	-	(159,919)	-	(159,919)
Sale of treasury shares	-	-	2,747,181	1,037,592	-	-	-	-	-	3,784,773	-	3,784,773
Dividends (Note 8)	-	-	-	-	-	-	(7,807,953)	-	-	(7,807,953)	-	(7,807,953)
Balance as at 30 June 2023	56,527,756	35,055,163	(5,931,332)	5,708,079	30,280,511	20,489,290	42,668,466	(728,175)	(13,612,610)	170,457,148	154,323	170,611,471

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 KD	2023 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		5,333,835	7,586,874
Adjustments for:			
Share in joint venture's results, net of tax		(1,549,157)	(297,643)
Provision for employees' terminal benefits		379,651	563,291
Depreciation and amortization		3,962,743	3,241,328
Recovery of insurance claims		-	(750,000)
Dividends income		(80,634)	(58,415)
Foreign exchange gain		(27,648)	(54,649)
Finance costs		7,071,288	2,186,313
		15,090,078	12,417,099
Change in operating assets and liabilities:			
Inventories		2,641	(13,734)
Accounts receivable and other assets		14,650,305	2,285,183
Accounts payable and other liabilities		(4,099,374)	2,721,817
		25,643,650	17,410,365
Employees' terminal benefits paid		(153,613)	(143,289)
KFAS paid		(168,909)	(153,732)
NLST paid		(439,614)	(377,345)
Zakat paid		(128,193)	(90,519)
Directors' remuneration paid		(120,000)	(120,000)
Net cash flows from operating activities		24,633,321	16,525,480
INVESTING ACTIVITIES			
Additions to investment properties	6	(78,565,183)	(11,003,166)
Additions to property and equipment		(5,393,879)	(9,330,158)
Dividends income received		80,634	58,415
Net cash flows used in investing activities		(83,878,428)	(20,274,909)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings	7	131,360,178	22,794,580
Repayment of commercial and Islamic financings	7	(60,293,898)	(11,629,301)
Finance costs paid		(5,222,026)	(2,186,313)
Dividends paid		(8,119,568)	(7,807,953)
Payment of lease liability		-	(205,127)
Purchase of treasury shares		(623,948)	(159,919)
Proceeds from sale of treasury shares		1,838,427	3,784,773
Net cash flows from financing activities		58,939,165	4,590,740
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENT		(305,942)	841,311
Foreign currency translation adjustment		(386,363)	(213,998)
Cash and cash equivalent at 1 January		(8,110,586)	(326,818)
CASH AND CASH EQUIVALENT AT 30 JUNE	4	(8,802,891)	300,495

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 June 2024

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Salhia Real Estate Company K.S.C.P. (the “Parent Company”) and its Subsidiaries (collectively “the Group”) for the six months period ended 30 June 2024 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 8 August 2024.

On 18 March 2024, 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 2023 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 Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on the Boursa Kuwait. The Parent Company’s 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 and United Kingdom. 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 do not include all the information and disclosures required for full consolidated 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 2023. Furthermore, results for the six months period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD) which is the Parent Company’s functional and presentation currency. The Group presents its interim condensed consolidated statement of financial position in order of liquidity.

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 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group’s interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.1 New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Group's interim condensed consolidated financial information.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's interim condensed consolidated financial information.

3 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic:

Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

Diluted:

Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the period attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options.

The Parent Company does not have outstanding share options under the employee share option plan as at 30 June 2024 and 30 June 2023.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2024	2023	2024	2023
Profit for the period attributable to equity holders of the Parent Company (KD)	2,190,296	3,450,054	5,056,612	7,208,910
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	573,252,751	572,528,547	573,971,480	574,675,112
Basic and diluted earnings per share attributable to equity holders of the Parent Company	3.82 fils	6.03 fils	8.81 fils	12.54 fils

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

3 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (continued)

The weighted average number of shares outstanding for the current and comparative period have been adjusted to reflect the bonus shares issuance during the period. Earnings per share for the six and three months period ended 30 June 2023 were 13.2 fils and 6.3 fils respectively before retroactive adjustment to the number of shares following the bonus issue (Note 8).

4 CASH ON HAND AND AT BANKS

	<i>30 June</i> <i>2024</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD</i>	<i>30 June</i> <i>2023</i> <i>KD</i>
Cash on hand	16,030	15,829	99,938
Bank balances	5,416,679	6,177,077	6,976,946
	5,432,709	6,192,906	7,076,884
Less: due to banks and financial institutions	(14,235,600)	(14,303,492)	(6,776,389)
Cash and cash equivalent	(8,802,891)	(8,110,586)	300,495

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>30 June</i> <i>2024</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD</i>	<i>30 June</i> <i>2023</i> <i>KD</i>
Managed quoted portfolio	326,550	280,350	267,225
Managed unquoted portfolio	272,764	270,655	274,170
Unquoted equity securities	6,323,092	6,317,205	5,639,012
	6,922,406	6,868,210	6,180,407

The disclosure of fair value measurement and the levels of fair value hierarchy relating to the financial assets at fair value through other comprehensive income disclosed in (Note 10).

6 INVESTMENT PROPERTIES

	<i>30 June</i> <i>2024</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD</i>	<i>30 June</i> <i>2023</i> <i>KD</i>
As at 1 January	360,996,365	349,158,841	349,158,841
Additions *	78,565,183	17,834,970	11,003,166
Disposal	-	(926,452)	-
Depreciation	(3,450,228)	(5,028,292)	(2,462,115)
Impairment	-	(782,768)	-
Foreign currency translation adjustment	(232,540)	740,066	627,860
	435,878,780	360,996,365	358,327,752

Investment properties with a carrying value of KD Nil (31 December 2023: KD Nil and 30 June 2023: KD 80,287) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of these properties.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

6 INVESTMENT PROPERTIES (continued)

* During the period, the Group has acquired an investment property located in the State of Kuwait. The property has been recognized at a carrying value of KD 71,050,000 on the interim condensed consolidated statement of financial position. The acquisition was facilitated through a Sharia-compliant 'Ijara' financing structure in the amount of KD 70,000,000 which has been recorded under "Islamic financing" (Note 7).

7 COMMERCIAL AND ISLAMIC FINANCING

	<i>30 June</i> <i>2024</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD</i>	<i>30 June</i> <i>2023</i> <i>KD</i>
At 1 January	223,704,684	207,918,659	207,918,659
Loans received	131,360,178	33,664,789	22,794,580
Loans paid	(60,293,898)	(18,180,700)	(11,629,301)
Foreign currency translation adjustment	(45,720)	301,936	286,657
	<u>294,725,244</u>	<u>223,704,684</u>	<u>219,370,595</u>
	<i>30 June</i> <i>2024</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD</i>	<i>30 June</i> <i>2023</i> <i>KD</i>
Commercial financing	21,358,160	18,203,880	14,688,600
Islamic financing	273,367,084	205,500,804	204,681,995
	<u>294,725,244</u>	<u>223,704,684</u>	<u>219,370,595</u>

Commercial financing denominated in Kuwaiti Dinar carries an interest rate of 0.75% per annum (31 December 2023: 1% per annum and 30 June 2023: 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing denominated in GBP carries variable interest rates 2.6% + SONIA rate (31 December 2023: 2.6% + SONIA rate and 30 June 2023: 2.6% + SONIA rate).

Commercial financing amounting to KD 3,108,160 (31 December 2023: KD 3,153,880 and 30 June 2023: KD 3,138,600) has been obtained by foreign subsidiaries.

The average profit rate attributable to Islamic financing during the period which carries an interest rate of 0.88% per annum (31 December 2023: 0.88% per annum and 30 June 2023: 1% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing is secured by an investment property with a carrying value of KD Nil (31 December 2023: KD Nil and 30 June 2023: KD 296,922,511).

8 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

At the Annual General Assembly of the shareholders of the Parent Company held on 18 March 2024, the shareholders approved the distribution of cash dividends of 15 fils (2022: 15 fils) per share, amounting to KD 8,204,879 for the year ended 31 December 2023 (2022: KD 7,807,953) which paid on 25 April 2024, in addition to the issuance of bonus shares of 28,263,878 (2022: 26,917,979) in the ratio of 5 shares for each 100 shares to the registered shareholders as at the entitlement date. The capitalization of the bonus shares has been notarized in the Parent Company's commercial register dated 3 April 2024.

As at 30 June 2024, the authorized, issued and paid up capital comprises of 593,541,441 shares (31 December 2023: 565,277,563 shares and 30 June 2023: 565,277,563 shares) at 100 fils (31 December 2023: 100 fils and 30 June 2023: 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 June 2024

9 TREASURY SHARES

At 30 June 2024, the Parent Company held 18,905,610 of its own shares (31 December 2023: 20,533,242 shares and 30 June 2023: 15,896,749 shares), equivalent to 3.19% (31 December 2023: 3.63% and 30 June 2023: 2.81%) of the total issued share capital at that date. The market value of these shares at the financial position date was KD 7,845,828 (31 December 2023: KD 8,808,761 and 30 June 2023: KD 8,139,136). 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 June 2024			
<i>Assets measured at fair value</i>			
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	326,550	-	326,550
Managed unquoted portfolio	-	272,764	272,764
Unquoted equity securities	-	6,323,092	6,323,092
	<u>326,550</u>	<u>6,595,856</u>	<u>6,922,406</u>
31 December 2023 (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	280,350	-	280,350
Managed unquoted portfolio	-	270,655	270,655
Unquoted equity securities	-	6,317,205	6,317,205
	<u>280,350</u>	<u>6,587,860</u>	<u>6,868,210</u>
30 June 2023	<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	267,225	-	267,225
Managed unquoted portfolio	-	274,170	274,170
Unquoted equity securities	-	5,639,012	5,639,012
	<u>267,225</u>	<u>5,913,182</u>	<u>6,180,407</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 June 2024

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (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 2024 KD</i>	<i>Change in fair value KD</i>	<i>As at 30 June 2024 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,587,860	7,996	6,595,856

	<i>As at 1 January 2023 KD</i>	<i>Change in fair value KD</i>	<i>As at 31 December 2023 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,252,089	335,771	6,587,860

	<i>As at 1 January 2023 KD</i>	<i>Change in fair value KD</i>	<i>As at 30 June 2023 KD</i>
<i>Financial assets at FVOCI:</i>			
- Managed unquoted portfolio and unquoted equity securities	6,252,089	(338,907)	5,913,182

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 June 2024

11 SEGMENTAL INFORMATION (continued)

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

	<i>Six months ended 30 June 2024</i>			<i>Six months ended 30 June 2023</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	19,383,810	2,884,287	22,268,097	17,419,097	2,635,568	20,054,665
Segment operating costs	(3,713,486)	(1,317,124)	(5,030,610)	(4,195,743)	(1,305,946)	(5,501,689)
Segment gross profit	15,670,324	1,567,163	17,237,487	13,223,354	1,329,622	14,552,976
Share in joint venture's results, net of tax	1,549,157	-	1,549,157	297,643	-	297,643
Depreciation and amortization	(3,401,585)	(561,158)	(3,962,743)	(2,923,422)	(317,906)	(3,241,328)
Other operating expenses	(1,846,232)	(740,509)	(2,586,741)	(1,932,748)	(934,402)	(2,867,150)
Finance costs	(7,044,787)	(26,501)	(7,071,288)	(2,163,599)	(22,714)	(2,186,313)
Segment results	4,926,877	238,995	5,165,872	6,501,228	54,600	6,555,828
Recovery of insurance claims			-			750,000
Investment income			80,634			58,415
Other non-operating income, (net)			87,329			222,631
KFAS, NLST and Zakat			(238,270)			(339,687)
Profit for the period			5,095,565			7,247,187

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

11 SEGMENTAL INFORMATION (continued)

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

	<i>30 June 2024</i>			<i>31 December 2023 (Audited)</i>			<i>30 June 2023</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>	<i>Real estate operations KD</i>	<i>Hotel operations KD</i>	<i>Total KD</i>
Total assets	<u>520,232,360</u>	<u>2,937,339</u>	<u>523,169,699</u>	455,620,949	2,501,598	458,122,547	434,468,616	1,897,089	436,365,705
Segment liabilities	<u>343,362,310</u>	<u>3,277,591</u>	<u>346,639,901</u>	276,397,218	1,847,224	278,244,442	263,969,264	1,784,970	265,754,234
Capital expenditure	<u>79,270,196</u>	<u>4,688,866</u>	<u>83,959,062</u>	21,222,467	10,636,862	31,859,329	18,981,711	1,351,613	20,333,324

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2024

12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	<i>30 June</i> <i>2024</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2023</i> <i>KD</i>	<i>30 June</i> <i>2023</i> <i>KD</i>
Letters of guarantee	1,433,433	1,433,134	1,250,027
Construction projects	49,973,873	56,646,880	25,506,028
	<u>51,407,306</u>	<u>58,080,014</u>	<u>26,756,055</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.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the period was as follows:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Short-term benefits	178,975	117,643	357,950	268,260
Employees' end of service benefits	66,804	55,457	149,535	177,707
	<u>245,779</u>	<u>173,100</u>	<u>507,485</u>	<u>445,967</u>

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.

All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena