

**Sokouk Holding Company K.S.C.P.
and its Subsidiaries**

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

30 SEPTEMBER 2019



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF SOKOUK HOLDING COMPANY K.S.C.P.

Report on the Interim Condensed Consolidated Financial Information

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the “Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2019, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Company is responsible for the preparation and 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 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 BOARD OF DIRECTORS OF SOKOUK HOLDING COMPANY K.S.C.P. (continued)

Emphasis of Matter

We draw attention to Note 5 to the interim condensed consolidated financial information which describes that during the year 2015, the contractor of one of the properties of an associate of the Company i.e. Munshaat Real Estate Projects Company K.S.C.P. (“Munshaat”), situated in the Kingdom of Saudi Arabia has claimed an amount equivalent to KD 41 million and Munshaat has filed a counterclaim against the same contractor for delay in completing the project for an amount equivalent to KD 51 million. The ultimate outcome of the matter cannot presently be determined, and accordingly no provision for any liability that may result has been recognised in the interim condensed consolidated financial information as at 30 September 2019. Our conclusion is not modified in respect of this matter.

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 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 Company’s Articles of Association and Memorandum of Incorporation, as amended, during the nine-month period ended 30 September 2019 that might have had a material effect on the business of the Company or on its financial position.



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

11 November 2019
Kuwait

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 September 2019

	<i>Note</i>	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
		<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
INCOME					
Hospitality income		898,685	848,135	3,496,163	3,313,963
Hospitality costs		(599,433)	(598,036)	(2,008,942)	(1,971,807)
Net hospitality income		299,252	250,099	1,487,221	1,342,156
Net income from investment properties		98,625	97,549	295,399	292,310
Share of results of associates		462,642	(553,865)	172,084	(1,103,525)
Net foreign exchange differences		-	480	-	1,003
Management fees income		14,917	-	49,354	34,284
Reversal of allowance for expected credit losses		153,593	-	153,593	-
Other income		8,981	11,895	23,288	17,733
		<u>1,038,010</u>	<u>(193,842)</u>	<u>2,180,939</u>	<u>583,961</u>
EXPENSES					
Staff costs		(218,509)	(266,868)	(719,125)	(827,741)
Administrative expenses		(170,287)	(317,053)	(642,446)	(780,113)
Finance costs		(334,122)	(384,178)	(1,016,688)	(1,163,267)
Amortisation of leasehold property		(29,246)	(39,784)	(87,739)	(119,352)
		<u>(752,164)</u>	<u>(1,007,883)</u>	<u>(2,465,998)</u>	<u>(2,890,473)</u>
PROFIT (LOSS) BEFORE TAXATION		285,846	(1,201,725)	(285,059)	(2,306,512)
Taxation		-	(3,677,813)	-	(3,677,813)
PROFIT (LOSS) FOR THE PERIOD		285,846	(4,879,538)	(285,059)	(5,984,325)
Attributable to:					
Equity holders of the Company		324,622	(4,835,085)	(228,391)	(5,912,504)
Non-controlling interests		(38,776)	(44,453)	(56,668)	(71,821)
		<u>285,846</u>	<u>(4,879,538)</u>	<u>(285,059)</u>	<u>(5,984,325)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	4	<u>0.57</u> fils	<u>(8.46)</u> fils	<u>(0.40)</u> fils	<u>(10.34)</u> fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2019

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Profit (loss) for the period	285,846	(4,879,538)	(285,059)	(5,984,325)
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	7,677	(2,364)	6,497	13,543
Share of other comprehensive (loss) income of associates	(6,769)	3,890	(11,060)	2,864
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	908	1,526	(4,563)	16,407
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>				
Net (loss) gain on equity instruments at fair value through other comprehensive income	-	(135,593)	32,709	(91,842)
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods	-	(135,593)	32,709	(91,842)
Net other comprehensive income (loss) for the period	908	(134,067)	28,146	(75,435)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	286,754	(5,013,605)	(256,913)	(6,059,760)
Attributable to:				
Equity holders of the Company	325,530	(4,969,152)	(200,245)	(5,987,939)
Non-controlling interests	(38,776)	(44,453)	(56,668)	(71,821)
	286,754	(5,013,605)	(256,913)	(6,059,760)


The attached notes 1 to 12 form part of this interim condensed consolidated financial information.


Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 September 2019

		<i>(Audited)</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
<i>Notes</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Cash and cash equivalents	2,723,003	2,090,867	1,656,817
Inventories	61,750	61,897	61,876
Accounts receivable and prepayments	1,076,738	1,351,894	7,705,643
Investment properties	5,400,000	5,400,000	5,452,000
Leasehold property	2,018,001	2,105,740	2,904,242
Financial assets at fair value through other comprehensive income	12 2,142,588	2,109,879	2,557,838
Investment in associates	5 29,520,272	30,800,004	41,774,762
Property and equipment	6 33,152,769	32,687,934	32,659,513
Trading property	-	-	1,500,022
TOTAL ASSETS	76,095,121	76,608,215	96,272,713
EQUITY AND LIABILITIES			
Equity			
Share capital	7 59,314,500	59,314,500	59,314,500
Statutory reserve	2,895,475	2,895,475	2,895,475
Voluntary reserve	2,895,475	2,895,475	2,895,475
Treasury shares	7 (1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates	(1,856,910)	(1,845,850)	(224,189)
Foreign currency translation reserve	62,401	55,904	54,689
Fair value reserve	(3,361,819)	(3,394,528)	(2,946,569)
Other reserves	(272,250)	(272,250)	(272,250)
Accumulated losses	(9,068,266)	(8,839,875)	(65,803)
Equity attributable to equity holders of the Company	48,838,735	49,038,980	59,881,457
Non-controlling interests	1,165,276	1,221,944	1,231,637
Total equity	50,004,011	50,260,924	61,113,094
Liabilities			
Islamic finance payables	8 24,125,702	24,842,869	28,551,997
Accounts payable and accruals	1,646,476	1,007,004	6,109,939
Employees' end of service benefits	318,932	497,418	497,683
Total liabilities	26,091,110	26,347,291	35,159,619
TOTAL EQUITY AND LIABILITIES	76,095,121	76,608,215	96,272,713


 Nawaf Musaed Abdulaziz Al-Osaimi
 Chairman


 Ahmad Abdulaziz Al-Nafisi
 Vice Chairman

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2019

Atributable to equity holders of the Company

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury Shares KD	Effect of changes in other comprehensive income of associates KD	Foreign currency translation reserve KD	Fair value reserve KD	Other reserves KD	(Accumulated losses) / retained earnings KD	Sub-total KD	Non- controlling interests KD	Total equity KD
As at 1 January 2019	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,845,850)	55,904	(3,394,528)	(272,250)	(8,839,875)	49,038,980	1,221,944	50,260,924
Loss for the period	-	-	-	-	-	-	-	-	(228,391)	(228,391)	(56,668)	(285,059)
Other comprehensive (loss) income for the period	-	-	-	-	(11,060)	6,497	32,709	-	-	28,146	-	28,146
Total comprehensive (loss) income for the period	-	-	-	-	(11,060)	6,497	32,709	-	(228,391)	(200,245)	(56,668)	(256,913)
At 30 September 2019	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,856,910)	62,401	(3,361,819)	(272,250)	(9,068,266)	48,838,735	1,165,276	50,004,011
As at 1 January 2018 before the adoption of IFRS 9 (Audited)	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	-	(258,172)	2,991,974	65,883,474	1,289,380	67,172,854
Transition adjustment on initial application of IFRS 9 at 1 January 2018 (Note 3.2)	-	-	-	-	-	-	(2,854,727)	-	2,854,727	-	-	-
Adjusted balance as at 1 January 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	(2,854,727)	(258,172)	5,846,701	65,883,474	1,289,380	67,172,854
Loss for the period	-	-	-	-	-	-	-	-	(5,912,504)	(5,912,504)	(71,821)	(5,984,325)
Other comprehensive income (loss) for the period	-	-	-	-	2,864	13,543	(91,842)	-	-	(75,435)	-	(75,435)
Total comprehensive income (loss) for the period	-	-	-	-	2,864	13,543	(91,842)	-	(5,912,504)	(5,987,939)	(71,821)	(6,059,760)
Acquisition of non- controlling interests without change in control	-	-	-	-	-	-	-	(14,078)	-	(14,078)	14,078	-
At 30 September 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	(224,189)	54,689	(2,946,569)	(272,250)	(65,803)	59,881,457	1,231,637	61,113,094

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2019

	<i>Nine months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
Loss for the period	(285,059)	(5,984,325)
<i>Adjustments to reconcile loss for the period to net cash flows:</i>		
Share of results of associates	(172,084)	1,103,525
Finance costs	1,016,688	1,163,267
Provision for employees' end of service benefits	61,755	38,346
Depreciation of property and equipment and right-of-use assets	603,439	660,642
Reversal of allowance for expected credit losses	(153,593)	-
Amortisation of leasehold property	87,739	119,352
	<u>1,158,885</u>	<u>(2,899,193)</u>
<i>Changes in operating assets and liabilities:</i>		
Inventories	147	(3,573)
Accounts receivable and prepayments	428,749	145,578
Accounts payable and accruals	(157,377)	3,296,396
	<u>1,430,404</u>	<u>539,208</u>
Cash flows from operating activities	1,430,404	539,208
Employees' end of service benefits paid	(240,241)	(48,002)
	<u>1,190,163</u>	<u>491,206</u>
Net cash flows from operating activities		
INVESTING ACTIVITIES		
Purchase of property and equipment	(157,636)	(34,245)
Proceeds from partial redemption in an associate	1,447,253	1,717,776
	<u>1,289,617</u>	<u>1,683,531</u>
Net cash flows from investing activities		
FINANCING ACTIVITIES		
Repayment of Islamic finance payables	(854,656)	(758,500)
Payment of lease liabilities	(148,880)	-
Finance costs paid	(844,108)	(907,190)
	<u>(1,847,644)</u>	<u>(1,665,690)</u>
Net cash flows used in financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 January	632,136	509,047
	<u>2,090,867</u>	<u>1,147,770</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		
	<u>2,723,003</u>	<u>1,656,817</u>

Non-cash items excluded from the interim condensed consolidated statement of cash flows:

Transitional adjustment to accounts payable and accruals on adoption of IFRS 16 (Adjusted with accounts payable and accruals)	538,466	-
Additions to lease liabilities (Adjusted with accounts payable and accruals)	417,292	-
Transitional adjustment to property and equipment on adoption of IFRS 16 (Adjusted with additions to property and equipment)	(538,466)	-
Additions to right-of-use assets (Adjusted with additions to property and equipment)	(417,292)	-

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2019 was authorised for issue in accordance with a resolution of the directors on 11 November 2019.

The consolidated financial statements for the year ended 31 December 2018 were approved by the Company's shareholders at the annual general assembly meeting ("AGM") held on 28 May 2019. No dividends were declared by the Company.

The Company is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department on 23 August 1998 and registered in commercial register on 29 August 1998, and subsequent amendments thereto. The Company's registered address is at P.O. Box 29110 Safat - Postal code 13152 - State of Kuwait. The Company's shares are publicly traded on Boursa Kuwait.

The Company is a subsidiary of Aref Investment Group S.A.K. (Closed) ("Aref") (the "Parent Company"), a Kuwaiti shareholding company incorporated and domiciled in the State of Kuwait.

The principal activities of the Company are, as follows:

- ▶ Owning shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- ▶ Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% in such entities.
- ▶ Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- ▶ Owning movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
- ▶ Utilising available surplus funds by investing these funds in portfolios managed by specialised parties.

All activities are conducted in accordance with Islamic Sharia'a as approved by the Company's Sharia'a Supervisory Board.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a net loss of KD 285,059 for the nine months ended 30 September 2019 (30 September 2018: KD 5,984,325) and as of that date, the Group's current liabilities exceeded its current assets by KD 19,970,029 (31 December 2018: KD 1,545,215 and 30 September 2018: KD 3,065,229). The ability of the Group to continue as a going concern is dependent on the availability of funds to refinance or repay its banking facilities along with the Group's future profitability and its ability to generate positive operating cash flows primarily through its hospitality operations, which has earned revenues amounting to KD 3,496,163 during the nine months ended 30 September 2019 (30 September 2018: KD 3,313,963) and has recognised an operating profit of KD 1,487,221 (30 September 2018: KD 1,342,156). The management expects that the hospitality operations will continue to generate positive cash flows in the foreseeable future. This interim condensed consolidated financial information has been prepared on a going concern basis as the management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the ability to meet its funding requirements and to refinance its banking facilities when they fall due. In addition, certain loans and borrowings are with a related party local Islamic financial institution, and the management expects the settlement of these facilities to be met out of the operating cash flows of the Group.

If for any reason the Group is unable to continue as a going concern, then this could impact on the Group's ability to realise assets at their recognised values, and discharge liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

3 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

3.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Company.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at 31 December 2018.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 11.

3.2 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases* that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group elected to use the transitional practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>KD</i>
ASSETS	
Right-of-use assets (included under property and equipment)	538,466
	<u>538,466</u>
LIABILITIES	
Lease liabilities (included under accounts payable and accruals)	538,466
	<u>538,466</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

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

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

IFRS 16 Leases (continued)

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under accounts receivable and prepayments and accounts payable and accruals, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

▶ *Leases previously classified as finance leases*

As at 1 January 2019, the Group did not have any lease classified as finance lease.

▶ *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

▶ *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are included in property and equipment in the interim condensed consolidated statement of financial position.

▶ *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

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

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

IFRS 16 Leases (continued)

b) Summary of new accounting policies (continued)

▶ *Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease liabilities are included in accounts payable and accruals in the interim condensed consolidated statement of financial position.

▶ *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

▶ *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available. The renewal options for leases of motor vehicles were not included as part of the lease term because the Group has a policy of leasing motor vehicles for not more than five years and, hence, not exercising any renewal options.

c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-of-use assets KD</i>	<i>Lease liabilities KD</i>
At 1 January 2019	538,466	538,466
Additions during the period	417,292	417,292
Depreciation expense	(129,410)	-
Finance costs	-	35,091
Payments	-	(148,880)
At 30 September 2019	826,348	841,969

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 6% at the reporting date.

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4 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the Company 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 conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit (loss) for the period attributable to equity holders of the Company (KD)	324,622	(4,835,085)	(228,391)	(5,912,504)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	571,645,336	571,645,336	571,645,336	571,645,336
Basic and diluted profit (loss) per share (fils)	0.57 fils	(8.46) fils	(0.40) fils	(10.34) fils

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

5 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	<i>Equity interest</i>			<i>Carrying amount</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")*	27.67%	27.67%	27.67%	9,521,558	9,531,258	17,669,623
Qitaf Joint Venture ("Qitaf")	36.43%	36.43%	36.43%	2,490,443	2,587,100	2,658,425
The Zamzam 2013 JV ("Zamzam")	23.48%	23.48%	23.48%	17,508,271	18,681,646	21,446,714
				29,520,272	30,800,004	41,774,762

*Legal claim contingency with respect to an associate

During the year 2015, the contractor of one of the properties of Munshaat situated in the Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from Munshaat for the delay in the execution of the project and various other related costs and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project and the operational losses. The dispute has been referred to Saudi Arbitration Committee ("SAC") and as on the date of this interim condensed consolidated financial information, the trial proceedings and hearings are still in progress. However, due to the considerable discrepancy in the technical reports submitted by the two parties in dispute, a specialised technical expert was appointed by SAC whose report issued on 20 March 2018 supported Munshaat's position to a large extent.

Munshaat was advised by the legal counsel that it is only possible, but not probable, that the action against Munshaat will succeed. Accordingly, Munshaat has not recognised any provision for any liability in the interim condensed consolidated financial information.

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6 PROPERTY AND EQUIPMENT

Property and equipment represent costs of freehold land and building.

The fair value of land and building was independently determined at 31 December 2018 for impairment assessment purposes. The valuation was performed by two accredited independent valuers with recognised and relevant professional qualification and recent experience in the location and category of the property being valued. The land and building are valued using the income capitalisation method. Management is of the view that no significant changes have occurred in the fair value during the period ended 30 September 2019.

Cumulative borrowing costs amounting to KD 3,916,007 (31 December 2018: KD 3,916,007 and 30 September 2018: KD 3,916,007) have been capitalised in the carrying value of property and equipment as at the reporting date.

Property and equipment of KD 32,271,042 (31 December 2018: KD 32,666,512 and 30 September 2018: KD 32,640,557) are pledged as collateral against Islamic finance payables of KD 21,000,000 (31 December 2018: KD 21,000,000 and 30 September 2018: KD 21,000,000) (Note 8).

7 SHARE CAPITAL AND OTHER RESERVES

a) Share capital

Authorised, issued and fully paid-up capital amounting to KD 59,314,500 (31 December 2018: KD 59,314,500, 30 September 2018: KD 59,314,500) consist of 593,145,000 (31 December 2018: 593,145,000 30 September 2018: 593,145,000) shares of 100 fils each, paid in cash.

b) Treasury shares

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2019</i>	<i>2018</i>	<i>2018</i>
Number of treasury shares	21,499,664	21,499,664	21,499,664
Percentage of share capital	3.6%	3.6%	3.6%
Cost of treasury shares – KD	1,769,871	1,769,871	1,769,871
Market value – KD	687,989	849,237	988,985
Weighted average market price – fils	40.0	47.2	47.6

An amount equivalent to the cost of the treasury shares held are not available for distribution from the Company's voluntary reserve throughout the holding period of these treasury shares as per the requirements of the Capital Markets Authority ('CMA').

8 ISLAMIC FINANCE PAYABLES

Islamic finance payables include an amount of KD 21,000,000, which is due for repayment on 30 June 2020 in accordance with the facility agreement, which has been classified as a current liability in the interim condensed consolidated statement of financial position as at 30 September 2019. The management is in the process of negotiating a re-financing arrangement for this facility.

Islamic finance payables amounting to KD 24,125,702 (31 December 2018: KD 24,842,869 and 30 September 2018: KD 28,511,997) represent facilities obtained from local Islamic financial institutions and are secured by property and equipment amounting to KD 32,271,042 (31 December 2018: KD 32,666,512 and 30 September 2018: KD 32,640,557) (Note 6) and investment properties amounting to KD 5,400,000 (31 December 2018: KD 5,400,000 and 30 September 2018: KD 5,452,000).

During the period, the Group did not breach any of its loan covenants, nor did it default on any other obligations under its loan agreement.

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9 RELATED PARTY DISCLOSURES

Related parties represent the Parent Company, major shareholders, associates, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Company's management.

The following table provides the total amount of transactions that have been entered into with related parties during the nine months periods ended September 2019 and 2018, as well as balances with related parties as at 30 September 2019, 31 December 2018 and 30 September 2018.

	<i>Nine months ended</i>					
	<i>Major shareholder of the Parent Company</i>		<i>Associates</i>		<i>30 September 2018</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Statement of profit or loss:						
Management fees	-	-	49,354	49,354	34,284	34,284
Finance costs	92,209	-	-	92,209	267,393	267,393
				<i>(Audited)</i>		
				<i>31 December 2018</i>	<i>30 September 2018</i>	<i>KD</i>
Statement of financial position:						
Amounts due from related parties	-	-	71,649	71,649	6,595	6,701,405
Amounts due to related parties	-	121,845	38,056	173,376	173,376	5,330,241
Islamic finance payables	1,844,077	-	-	1,844,077	-	5,919,037
Amounts due from / due to related parties are interest free and have no fixed repayment schedule.						
Key management compensation						
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.						
The aggregate value of transactions and balances outstanding related to key management personnel were as follows:						
	<i>Transaction values for the three months ended</i>		<i>Transaction values for the nine months ended</i>		<i>Balance outstanding as at</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>31 December 2018</i>	<i>30 September 2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	40,923	72,021	114,349	220,551	54,905	62,087
End of service benefits	2,389	8,616	9,295	25,567	285,284	270,252
	<u>43,312</u>	<u>80,637</u>	<u>123,644</u>	<u>246,118</u>	<u>340,189</u>	<u>332,339</u>

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10 SEGMENT INFORMATION

For management purposes, the Company is organised into three major business segments. The principal activities and services under these segments are as follows:

- ▶ Investment : Managing direct investments and investments in subsidiaries and associates;
- ▶ Real estate : Managing investment properties; and
- ▶ Hotel operations : Consist of the hospitality services provided through the Millennium hotel and convention center, Kuwait.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

The following table presents segment revenue, expenses, results information of the Group's operating segments for the nine months ended 30 September 2019 and 2018:

<i>Nine months ended 30 September 2019</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	3,496,385	295,871	172,084	225,541	4,189,881
Segment expenses	(3,854,225)	(275,189)	-	(345,526)	(4,474,940)
Segment results	<u>(357,840)</u>	<u>20,682</u>	<u>172,084</u>	<u>(119,985)</u>	<u>(285,059)</u>
<i>Nine months ended 30 September 2018</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	3,313,963	292,310	(1,103,525)	53,020	2,555,768
Segment expenses	(3,892,089)	(334,929)	(157,717)	(477,545)	(4,862,280)
Segment results	<u>(578,126)</u>	<u>(42,619)</u>	<u>(1,261,242)</u>	<u>(424,525)</u>	<u>(2,306,512)</u>

The following table presents assets and liabilities for the Group's operating segments as at 30 September 2019, 31 December 2018 and 30 September 2018, respectively:

<i>As at 30 September 2019</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	33,751,681	7,873,407	34,058,953	411,080	76,095,121
Total liabilities	<u>24,089,757</u>	<u>310,547</u>	<u>1,240,000</u>	<u>450,806</u>	<u>26,091,110</u>
<i>As at 31 December 2018 (Audited)</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	33,375,104	8,308,134	34,598,632	326,345	76,608,215
Total liabilities	<u>23,348,121</u>	<u>356,540</u>	<u>2,076,876</u>	<u>565,754</u>	<u>26,347,291</u>
<i>As at 30 September 2018</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	33,240,905	10,265,568	50,988,178	1,778,062	96,272,713
Total liabilities	<u>23,932,330</u>	<u>284,860</u>	<u>5,407,241</u>	<u>5,535,188</u>	<u>35,159,619</u>

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11 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity profile of assets and liabilities are, as follows:

30 September 2019

	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and cash equivalents	2,723,003	-	2,723,003
Inventories	61,750	-	61,750
Accounts receivable and prepayments	876,738	200,000	1,076,738
Investment properties	-	5,400,000	5,400,000
Leasehold property	-	2,018,001	2,018,001
Financial assets at fair value through other comprehensive income	-	2,142,588	2,142,588
Investment in associates	-	29,520,272	29,520,272
Property and equipment	-	33,152,769	33,152,769
TOTAL ASSETS	3,661,491	72,433,630	76,095,121
LIABILITIES			
Islamic finance payables	22,650,737	1,474,965	24,125,702
Accounts payable and accruals	980,783	665,693	1,646,476
Employees' end of service benefits	-	318,932	318,932
TOTAL LIABILITIES	23,631,520	2,459,590	26,091,110
NET LIQUIDTY GAP	(19,970,029)	69,974,040	50,004,011

(Audited)

31 December 2018

	<i>Within 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and cash equivalents	2,090,867	-	2,090,867
Inventories	61,897	-	61,897
Accounts receivable and prepayments	1,151,894	200,000	1,351,894
Investment properties	-	5,400,000	5,400,000
Leasehold property	-	2,105,740	2,105,740
Financial assets at fair value through other comprehensive income	-	2,109,879	2,109,879
Investment in associates	-	30,800,004	30,800,004
Property and equipment	-	32,687,934	32,687,934
TOTAL ASSETS	3,304,658	73,303,557	76,608,215
LIABILITIES			
Islamic finance payables	3,842,869	21,000,000	24,842,869
Accounts payable and accruals	1,007,004	-	1,007,004
Employees' end of service benefits	-	497,418	497,418
TOTAL LIABILITIES	4,849,873	21,497,418	26,347,291
NET LIQUIDTY GAP	(1,545,215)	51,806,139	50,260,924

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11 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

<i>30 September 2018</i>	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and cash equivalents	1,656,817	-	1,656,817
Inventories	61,876	-	61,876
Accounts receivable and prepayments	7,377,992	327,651	7,705,643
Investment properties	-	5,452,000	5,452,000
Leasehold property	-	2,904,242	2,904,242
Financial assets at fair value through other comprehensive income	-	2,557,838	2,557,838
Investment in associates	-	41,774,762	41,774,762
Property and equipment	-	32,659,513	32,659,513
Trading property	1,500,022	-	1,500,022
TOTAL ASSETS	10,596,707	85,676,006	96,272,713
LIABILITIES			
Islamic finance payables	7,551,997	21,000,000	28,551,997
Accounts payable and accruals	6,109,939	-	6,109,939
Employees' end of service benefits	-	497,683	497,683
TOTAL LIABILITIES	13,661,936	21,497,683	35,159,619
NET LIQUIDTY GAP	(3,065,229)	64,178,323	61,113,094

12 FAIR VALUE MEASUREMENT

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ 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).
- ▶ Level 3 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 September 2019, 31 December 2018 and 30 September 2018, the Group held the following class of financial instruments measured at fair value:

Financial assets measured at fair value on a recurring basis:	<i>Total KD</i>	<i>Level 3 KD</i>
30 September 2019		
<i>Financial assets at fair value through other comprehensive income:</i>		
Unquoted equity security	2,142,588	2,142,588
31 December 2018 (Audited)		
<i>Financial assets at fair value through other comprehensive income:</i>		
Unquoted equity security	2,109,879	2,109,879

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12 FAIR VALUE MEASUREMENT (continued)

Financial assets measured at fair value	Total KD	Level 3 KD
30 September 2018		
<i>Financial assets at fair value through other comprehensive income:</i>		
Unquoted equity security	2,557,838	2,557,838

The management has used the price to book value multiple approach to fair value the financial assets at fair value through other comprehensive income.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets:

	<i>Non-listed equity investments</i>
	<u><i>Financial assets at FVOCI KD</i></u>
30 September 2019	
As at 1 January 2019	2,109,879
Remeasurement recognised in OCI	32,709
As at 30 September 2019	<u>2,142,588</u>
	<u><i>Non-listed equity investments</i></u>
	<u><i>Financial assets at FVOCI KD</i></u>
31 December 2018 (Audited)	
As at 1 January 2018 (restated)	2,649,680
Remeasurement recognised in OCI	(539,801)
As at 31 December 2018	<u>2,109,879</u>
	<u><i>Non-listed equity investments</i></u>
	<u><i>Financial assets at FVOCI KD</i></u>
30 September 2018	
As at 1 January 2018 (restated)	2,649,680
Remeasurement recognised in OCI	(91,842)
As at 30 September 2018	<u>2,557,838</u>

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12 FAIR VALUE MEASUREMENT (continued)

Description of significant unobservable inputs to valuation

Unquoted equity security is fair valued based on the price to book value multiples approach and adjusted with discount for lack of marketability (DLOM).

The table below indicates the impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity if the DLOM used to fair value the unquoted security was altered by 5%.

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Illiquidity discount</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity security	Price to book value multiple approach	DLOM *	25%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 142,340.

* Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

The fair values of other financial assets and financial liabilities are not significantly different from their carrying values. For financial assets and financial liabilities that are liquid or having short-term maturity (less than twelve months) it is assumed that the carrying amounts approximate their fair values.

Non-financial assets

Non-financial assets consist of leasehold property and investment properties. The impairment assessment is performed using the income approach using valuation models consistent with the principles in IFRS 13. The leasehold property is carried at cost less accumulated amortisation and impairment in the interim condensed consolidated financial information of the Group.

Further, the investment properties are valued using the market comparable approach. The valuations are performed by accredited independent valuers with a recognised and relevant qualifications and with recent experience in the locations and categories of the properties being valued. Investment properties are categorised within Level 2 of the fair value hierarchy.