

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

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

30 JUNE 2023



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 June 2023, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three and six months period then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six 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 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

Except as explained in the following paragraph, 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.

Basis for Qualified Conclusion

As described in Note 9 and Note 14 to the interim condensed consolidated financial information, Islamic finance payables of KD 21,000,000 (31 December 2022: KD 21,000,000, 30 June 2022: 21,000,000) and the finance cost of KD 2,388,750 (31 December 2022: KD 1,837,500, 30 June 2022: KD 1,470,000) are secured by a first charge over certain of the Group’s land and buildings (the “leased property”) with a carrying value of KD 26,578,499 (31 December 2022: KD 26,744,281 and 30 June 2022: KD 26,592,362).

As stated in notes therein, the financing arrangements expired and the amount outstanding was payable on 30 June 2020. During the prior years, the Group faced difficulty to refinance the existing financial liabilities or to access alternative financing arrangements, and accordingly the Group has been unable to conclude renegotiations with the lender.

In 2021, following a claim lodged by the lender, an unfavourable judgment was handed down against the Group by the Court of First Instance to evict and handover the leased property to the lender. However, after taking appropriate legal advice, the Group decided to appeal against the decision and filed a cross appeal mainly claiming the difference between the carrying value of the leased property and the debt obligation outstanding.

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

Report on Review of Interim Condensed Consolidated Financial Information (continued)

Basis for Qualified Conclusion (continued)

On 20 June 2022, the appeal was suspended by the court until the motion on the cross-appeal is decided with respect to the right of ownership to the property.

On 4 July 2021, another claim was lodged by the lender requesting the court to refer the matter to the experts' department to evaluate the ownership of the property and demand for compensation for the period from date of expiry of financing arrangement. On the court hearing held on 25 October 2021, the matter has been referred to the experts' department to examine the elements and facts of the case and submit their expert findings accordingly. The court received the experts' report on 19 September 2022 and contravened on 23 October 2022 and decided to transfer the case to another judicial circle, Commercial Government department, which has decided to refer the lawsuit to their own experts. Further, the Group filed a counter litigation to prove its claim on the right of ownership of property and has also claimed for refund of the entire finance cost since the beginning of the financing arrangement contending that this arrangement was in contravention of Islamic Shari'a law. On 25 December 2022, the Group received a favourable judgement with respect to the aforementioned lawsuit. However, the lender decided to appeal against the decision on 24 January 2023 and the court was scheduled to consider this matter on 17 May 2023.

In the motion hearing scheduled on 17 May 2023, the Court of Appeal ruled in favour of the Group on all three counts. On 13 July 2023, the lender appealed the judicial decision in the Court of Cassation and filed a motion to suspend the execution procedures. Based on legal advice received from the external legal counsel, the appeal in cassation may take one to two years from the date of filing for the court to render a decision. However, the Group continues to record the related finance cost.

Considering the range of possible outcomes of the judicial process, we were unable to obtain sufficient appropriate evidence at this stage to assess whether the Group continues to have ownership rights or the right to benefit from the recognised property and if the liabilities to which the arrangement applies represent the actual obligations of the Group at the reporting date. Consequently, we were unable to determine whether any adjustments might be necessary to the interim condensed consolidated financial information of the Group.

Qualified Conclusion

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the matter described above, 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)

Report on Review of Interim Condensed Consolidated Financial Information (continued)

Material Uncertainty Related to Going Concern

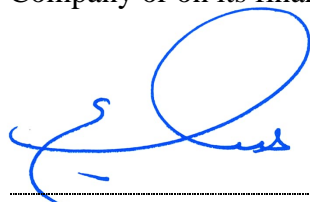
We draw attention to Note 2 in the interim condensed consolidated financial information, which stated that the Group has accumulated losses amounted to KD 24,328,647 (31 December 2022: KD 26,659,831 and 30 June 2022: KD 27,487,797). Further, the Group's current liabilities exceeded its current assets by KD 21,309,136 (31 December 2022: KD 21,877,708 and 30 June 2022: KD 20,504,339).

As stated in Note 2 in the interim condensed consolidated financial information, these events or conditions, along with other matters as set forth in Note 9 for which we have modified our conclusion as described in the "*Basis for Qualified Conclusion*" paragraph above, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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 Parent Company. We further report that, except for the possible effect of the matter described in the "*Basis for Qualified Conclusion*" section of our report, 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 have occurred during the six months period ended 30 June 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, except for the possible effect of the matter described in the "*Basis for Qualified Conclusion*" section of our report, 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 six months period ended 30 June 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



ABDULKARIM ALSAMDAN
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

13 August 2023
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 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 KD	2022 KD	2023 KD	2022 KD
INCOME					
Hospitality income		1,195,462	772,588	2,124,077	1,296,811
Hospitality costs		(589,637)	(461,679)	(1,081,645)	(833,708)
Net hospitality income		605,825	310,909	1,042,432	463,103
Net rental income from investment properties		116,221	99,558	231,494	197,555
Share of results of associates	6	1,678,954	243,906	2,303,206	(5,043)
Management fees income		22,478	15,720	37,147	28,194
Other income		5,385	2,523	15,716	84,119
		2,428,863	672,616	3,629,995	767,928
EXPENSES					
Staff costs		(196,512)	(182,457)	(379,994)	(351,115)
Administrative expenses		(160,996)	(172,112)	(322,556)	(281,070)
Depreciation of right-of-use assets		(23,623)	(23,361)	(47,287)	(46,723)
Reversal/(Provision) for expected credit losses		1,980	(240)	1,920	(2,010)
Financing costs for debts and loans.		(284,625)	(192,750)	(569,250)	(385,500)
Financing costs for lease obligations.		(2,125)	(4,063)	(4,717)	(8,545)
		(665,921)	(574,983)	(1,321,884)	(1,074,963)
PROFIT (LOSS) FOR THE PERIOD BEFORE DIRECTORS' REMUNERATION		1,762,942	97,633	2,308,111	(307,035)
Directors' remuneration		-	-	-	(7,500)
PROFIT (LOSS) FOR THE PERIOD		1,762,942	97,633	2,308,111	(314,535)
Attributable to:					
Equity holders of the Parent Company		1,772,304	114,379	2,331,184	(271,897)
Non-controlling interests		(9,362)	(16,746)	(23,073)	(42,638)
		1,762,942	97,633	2,308,111	(314,535)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	3.10 Fils	0.20 Fils	4.08 Fils	(0.48) Fils

The attached notes 1 to 14 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 June 2023

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
	KD	KD	KD	KD
PROFIT (LOSS) FOR THE PERIOD	1,762,942	97,633	2,308,111	(314,535)
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	1,376	7,512	2,072	11,276
Share of other comprehensive loss of associates	(7,571)	(9,420)	(10,075)	(11,695)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(6,195)	(1,908)	(8,003)	(419)
<i>Other comprehensive (loss) 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	675	(27,188)	(30,785)	260,667
Other comprehensive (loss) income for the period	675	(27,188)	(30,785)	260,667
Net other comprehensive (loss) income for the period	(5,520)	(29,096)	(38,788)	260,248
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	1,757,422	68,537	2,269,323	(54,287)
Attributable to:				
Equity holders of the Parent Company	1,766,784	85,283	2,292,396	(11,649)
Non-controlling interests	(9,362)	(16,746)	(23,073)	(42,638)
	1,757,422	68,537	2,269,323	(54,287)

The attached notes 1 to 14 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)

As at 30 June 2023

		30 June 2023 KD	(Audited) 31 December 2022 KD	30 June 2022 KD
ASSETS				
Cash and cash equivalents	5	2,797,968	2,069,341	2,754,467
Inventories		79,881	73,801	63,115
Accounts receivable and prepayments		1,192,590	769,558	1,464,136
Investment properties		6,930,000	7,226,084	5,304,000
Financial assets at FVOCI		414,375	445,160	477,580
Investment in associates	6	14,195,287	11,900,084	11,179,794
Right-of-use assets		1,439,871	1,550,035	1,644,317
Property and equipment	7	26,584,834	26,750,535	26,958,862
TOTAL ASSETS		53,634,806	50,784,598	49,846,271
EQUITY AND LIABILITIES				
Equity				
Share capital	8	59,314,500	59,314,500	59,314,500
Treasury shares	8	(1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates		(1,909,817)	(1,899,742)	(1,897,766)
Foreign currency translation reserve		65,646	63,574	64,635
Fair value reserve		(3,497,960)	(3,467,175)	(3,434,755)
Other reserve		(272,250)	(272,250)	(272,250)
Accumulated losses		(24,328,647)	(26,659,831)	(27,487,797)
Equity attributable to equity holders of the Parent Company		27,601,601	25,309,205	24,516,696
Non-controlling interests		275,260	298,333	312,561
Total equity		27,876,861	25,607,538	24,829,257
LIABILITIES				
Employees' end of service benefits		340,162	319,962	295,833
Islamic finance payables	9	23,988,750	23,437,500	23,270,000
Accounts payable and accruals		1,429,033	1,419,598	1,451,181
Total liabilities		25,757,945	25,177,060	25,017,014
TOTAL EQUITY AND LIABILITIES		53,634,806	50,784,598	49,846,271

CAAP


Mr. Abdullateef Mohammad Al-Othman
Vice Chairman




Ahmad Mohammed Othman Al-Quraishi
Chief Executive Officer

The attached notes 1 to 14 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 June 2023

Attributable to equity holders of the Parent Company

	<i>Share capital KD</i>	<i>Treasury shares KD</i>	<i>Effect of changes in OCI of associates KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Fair value reserve KD</i>	<i>Other reserve KD</i>	<i>Accumulated losses KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2023	59,314,500	(1,769,871)	(1,899,742)	63,574	(3,467,175)	(272,250)	(26,659,830)	25,309,205	298,333	25,607,538
Profit (loss) for the period	-	-	-	-	-	-	2,331,184	2,331,184	(23,073)	2,308,111
Other comprehensive (loss) income	-	-	(10,075)	2,072	(30,785)	-	-	(38,788)	-	(38,788)
Total comprehensive (loss) income for the period	-	-	(10,075)	2,072	(30,785)	-	2,331,184	2,292,396	(23,073)	2,269,323
As at 30 June 2023	59,314,500	(1,769,871)	(1,909,817)	65,646	(3,497,960)	(272,250)	(24,328,647)	27,601,601	275,260	27,876,861

Attributable to equity holders of the Parent Company

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Treasury shares KD</i>	<i>Effect of changes in OCI of associates KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Fair value reserve KD</i>	<i>Other reserve KD</i>	<i>Accumulated losses KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2022	59,314,500	-	-	(1,769,871)	(1,886,071)	53,359	(3,695,422)	(272,250)	(27,215,900)	24,528,345	355,199	24,883,544
Loss for the period	-	-	-	-	-	-	-	-	(271,897)	(271,897)	(42,638)	(314,535)
Other comprehensive (loss) income for the Period	-	-	-	-	(11,695)	11,276	260,667	-	-	260,248	-	260,248
Total comprehensive (loss) income for the period	-	-	-	-	(11,695)	11,276	260,667	-	(271,897)	(11,649)	(42,638)	(54,287)
At 30 June 2022	59,314,500	-	-	(1,769,871)	(1,897,766)	64,635	(3,434,755)	(272,250)	(27,487,797)	24,516,696	312,561	24,829,257

The attached notes 1 to 14 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 June 2023

	<i>Six months ended 30 June</i>	
	2023	2022
	KD	KD
OPERATING ACTIVITIES		
Profit (loss) for the period	2,308,111	(314,535)
<i>Adjustments to reconcile profit (loss) for the period to net cash flows:</i>		
Share of results of associates	(2,303,206)	5,043
Depreciation of property and equipment	242,786	249,007
Depreciation of right-of-use assets	110,164	109,601
(Reversal) provision for expected credit losses	(1,920)	2,010
Finance costs on debts and borrowings	569,250	385,500
Finance cost on lease liabilities	4,717	8,545
Provision for employees' end of service benefits	29,924	24,799
	959,826	469,970
<i>Changes in operating assets and liabilities:</i>		
Inventories	(6,080)	(10,334)
Accounts receivable and prepayments	(421,112)	(170,947)
Accounts payable and accruals	82,395	14,163
Cash flows from operating activities	615,029	302,852
Employees' end of service benefits paid	(9,724)	(25,127)
Net cash flows from operating activities	605,305	277,725
INVESTING ACTIVITIES		
Purchase of property and equipment	(77,085)	(19,595)
Sale of investment properties	296,084	-
Net cash flows from (used in) investing activities	218,999	(19,595)
FINANCING ACTIVITIES		
Payment of lease liabilities	(72,960)	(72,960)
Finance costs paid	(22,717)	(26,545)
Net cash flows used in financing activities	(95,677)	(99,505)
NET INCREASE IN CASH AND CASH EQUIVALENTS	728,627	158,625
Cash and cash equivalents at 1 January	2,069,341	2,595,842
CASH AND CASH EQUIVALENTS AT 30 JUNE	2,797,968	2,754,467
Non-cash items excluded from the interim condensed consolidated statement of cash flows:		
Redemption of financial assets at FVOCI	-	630,959

The attached notes 1 to 14 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 June 2023

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 was authorised for issue in accordance with a resolution of the directors on 13 August 2023.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the shareholders at the annual general assembly meeting (“AGM”) held on 23 May 2023. No dividends have been declared by the Parent Company.

The Parent Company is a public shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded in Bursa Kuwait.

The Parent Company’s head office is located at ITS building 3rd Floor, Mubarak Al-Kabeer Street, Sharq and its registered postal address is at P.O. Box 29110, Safat 13152 - State of Kuwait.

The Parent Company is a subsidiary of Aref Investment Group S.A.K. (Closed) (referred to hereunder as “Aref” or the “Ultimate Parent Company”), a Kuwaiti shareholding company incorporated and domiciled in the State of Kuwait.

The principal activities of the Parent Company as per its Memorandum of Incorporation 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 Parent 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 Parent 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 Shari‘a as approved by the Parent Company’s Fatwa and Shari‘a Supervisory Board.

The interim condensed consolidated financial information includes the financial information of the Parent Company and the following principal subsidiaries:

<i>Subsidiary Name</i>	<i>Activity</i>	<i>Incorporation</i>	<i>% equity interest</i>		
			<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>
Gulf Real Estate Development House Company K.S.C. (Closed)	Real Estate	Kuwait	87.99%	87.99%	87.99%
Sokouk Real Estate Company K.S.C. (Closed) *	Real Estate	Kuwait	99.99%	99.99%	99.99%
Sokouk Al Kuwaitia Trading Company W.L.L.*	Real estate	Kuwait	99%	99%	99%

* The remaining shares/ units in these subsidiaries are held by other related parties on behalf of the Parent Company. Therefore, the effective holding of the Parent Company in these subsidiaries is 100%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2023

2 FUNDAMENTAL ACCOUNTING CONCEPT

For the six months period ended 30 June 2023, the Group earned a net profit of KD 2,308,111 (30 June 2022: net loss KD 314,535) and, as of that date, Group's accumulated losses amounted to KD 24,328,647 (31 December 2022: KD 26,659,831 and 30 June 2022: KD 27,487,797). Further, as at the reporting date, the Group's current liabilities exceeded its current assets by KD 21,309,136 (31 December 2022: KD 21,877,708 and 30 June 2022: KD 20,504,339).

The interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities taking into consideration the following assumptions:

- The cash flow over next twelve months from the date the interim condensed consolidated financial information is authorised for issue depends on the Group's ability to implement the mitigating factors within the Group's control.
- The ultimate outcome of the lawsuit filed by a lender against the Group (refer to Note 9 and Note 14 for further details).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, based on the facts and circumstances known at this moment, management has determined that the use of the going concern assumption is warranted and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial information.

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

3.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the interim condensed consolidated financial information on the basis that it will continue to operate as a going concern. The management considered that material uncertainties exist that may cast significant doubt over this assumption (refer Note 2 for further details). They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

Further, results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

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 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.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's 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 June 2023

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)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial information, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial information.

4 EARNINGS (LOSS) PER SHARE (EPS)

Basic EPS is calculated by dividing the profit (loss) for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit (loss) attributable to ordinary equity holders of the parent 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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
Profit (loss) for the period attributable to equity holders of the parent Company (KD)	1,772,304	114,379	2,331,184	(271,897)
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 EPS	3.10 Fils	0.20 Fils	4.08 Fils	(0.48) 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.

5 CASH AND CASH EQUIVALENTS

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	2023	<i>31 December</i>	<i>30 June</i>
	KD	<i>2022</i>	<i>2022</i>
		<i>KD</i>	<i>KD</i>
Cash balance	10,595	9,936	11,774
Bank balances	1,737,373	1,509,405	2,742,693
Short term deposits (less than 3 months)	1,050,000	550,000	-
Cash and cash equivalents in interim condensed consolidated statement of financial position	2,797,968	2,069,341	2,754,467

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 June 2023

6 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	% Equity interest (Audited)			Carrying amount (Audited)		
	30 June 2023	31 December 2022	30 June 2022	30 June 2023	31 December 2022	30 June 2022
	%	%	%	KD	KD	KD
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")	27.67	27.67	27.67	909,602	-	-
Qitaf Joint Venture ("Qitaf")	36.43	36.43	36.43	926,649	852,340	776,584
The Zamzam 2013 JV ("Zamzam")	23.48	23.48	23.48	12,359,036	11,047,744	10,403,210
				14,195,287	11,900,084	11,179,794

The movement in the carrying amount of investment in associates during the period/ year is, as follows:

	(Audited)		
	30 June 2023	31 December 2022	30 June 2022
Reconciliation to carrying amounts:	KD	KD	KD
As at the beginning of the period/ year	11,900,084	11,185,256	11,185,256
Share of results	2,303,206	718,284	(5,043)
Share of other comprehensive loss	(10,075)	(13,671)	(11,695)
Exchange differences	2,072	10,215	11,276
As at the end of the period/ year	14,195,287	11,900,084	11,179,794

The Group carried out an impairment assessment during the fourth quarter of the immediately preceding annual reporting period resulting in no impairment loss against any of the associates. Since the impairment test was performed at the end of the last annual reporting period, in light of current economic situation management believes that there are no new triggering events during the current interim period that require the Group to perform an impairment test in accordance with IAS 36.

7 PROPERTY AND EQUIPMENT

Land and buildings with a carrying amount of KD 26,578,499 (31 December 2022: KD 26,744,281, 30 June 2022: KD 26,952,362) are subject to a first charge to secure the Group's Islamic finance payables (Note 9).

Impairment losses related to a real estate property

As at 31 December 2022, the Group assessed whether there is an indication that land and building may be impaired through assessing factors such as significant external adverse changes including market, economic, technological or legal environment factors in which the Group operates or internal observable factors including failure to meet budgeted and forecasted earnings in the current and prior years; that may trigger indicators of impairment that will either impact the carrying value or the remaining useful life of land and building. The management has also considered certain additional factors such as maintenance status, market knowledge and historical transactions.

Based on management assessment and the valuation performed by two independent real estate valuers with experience in the locations and category of the property being valued, no impairment indicators were noted. Management believes that there are no significant circumstances during the interim period that have arisen since year-end which may have a significant impact on the recoverable amount.

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 June 2023

8 EQUITY

8.1 Share capital

As at 30 June 2023, the authorised, issued and fully paid-up capital of the Parent Company comprises of 593,145,000 (31 December 2022: 593,145,000 and 30 June 2022: 593,145,000) shares of 100 fils each. All shares are paid in cash.

8.2 Treasury shares

	30 June 2023	<i>(Audited)</i> 31 December 2022	30 June 2022
Number of treasury shares	21,499,664	21,499,664	21,499,664
Percentage of share capital	3.60%	3.60%	3.60%
Cost of treasury shares – KD	1,769,871	1,769,871	1,769,871
Market value – KD	601,991	494,492	494,492
Weighted average market price – fils	28	23	23

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

9 ISLAMIC FINANCE PAYABLES

	<i>Currency</i>	<i>Effective interest rate (EIR)</i>	30 June 2023 KD	<i>(Audited)</i> 31 December 2022 KD	30 June 2022 KD
Secured Ijara facility*	Kuwaiti Dinar	6.00%	600,000	600,000	800,000
Secured Ijara contract**	Kuwaiti Dinar	5.25%	23,388,750	22,837,500	22,470,000
			23,988,750	23,437,500	23,270,000

* Secured Ijara facility amounting to KD 600,000 (31 December 2022: KD 600,000 and 30 June 2022: KD 800,000) represent facilities obtained from local Islamic financial institutions and are secured by investment properties amounting to KD 3,504,000 (31 December 2022: KD 3,504,000 and 30 June 2022: KD 3,576,000).

** Secured Ijara contract amounting to KD 23,388,750 (31 December 2022: KD 22,837,500 and 30 June 2022: KD 22,470,000) represent a finance lease agreement (“Ijara contract”) entered into between Gulf Real Estate Development House Company (“Subsidiary”) and a local financial institution (“lender”) for a hotel property located in the State of Kuwait (“leased property”) with a lease term of 65 months commencing on the date of signing the Ijara contract and maturing at the end of the lease on 30 June 2020 (“maturity date”). The lease payments are repayable in equal quarterly instalments of KD 275,625 and the ownership of the leased property is transferred to the Subsidiary once a lump sum payment of KD 21,000,000 (“balloon payment”) is made at the maturity date. Ijara payables of KD 23,388,750 are secured by a first charge over the Group’s leased property, with a carrying value of KD 26,578,499 at 30 June 2023 (31 December 2022: KD 26,744,281 and 30 June 2022: KD 26,952,362) (Note 14).

The COVID-19 pandemic lockdown placed severe stress on the Subsidiary’s liquidity position as revenue-generating activities were severely restricted from February 2020 onwards. Given the uncertainties arising from the COVID-19 pandemic, the Subsidiary sent several correspondences to the lender explaining the financial difficulties encountered due to COVID-19 and exploring the possibility of extending the Ijara contract for an additional two years term. However, both the Subsidiary and the lender did not reach a conclusion and, accordingly the lender officially notified the Subsidiary in August 2020 to surrender the leased property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2023

9 ISLAMIC FINANCE PAYABLES (continued)

On 4 October 2020, the Subsidiary held its annual general assembly meeting (“AGM”) and the majority shareholders approved to surrender the leased asset and discharge the debt obligation while preserving the Subsidiary’s financial and legal rights to claim the difference between the carrying value of the leased asset and the debt obligation outstanding at the maturity date. However, the lender did not accept the handover terms and conditions which states the carrying value of the leased asset.

On 30 March 2021, the Subsidiary held an extra-ordinary general assembly meeting (“EGM”) wherein the majority shareholders approved a plan to sell the leased asset to fulfil the debt obligations.

On 5th April 2021, the Group was subpoenaed by the court to evict and surrender the leased property following a claim lodged by the lender. The first hearing was scheduled on 7th April 2021, but was adjourned without deliberation. The Group’s external legal counsel developed a defense strategy for the trial proceedings mainly claiming the difference between the carrying value of the lease property and debt obligation outstanding. On 17th November 2021 the Court of First Instance ruled in favour of the lender and ordered the Subsidiary to hand over the leased property. However, after taking appropriate legal advice, the Subsidiary decided to appeal against the decision before the Court of Appeal within the prescribed timeframe. On 20 June 2022, the higher court decided to suspend the case until the outcome of the counter litigation filed by the Group to prove its claim on the right of ownership on the property which is scheduled on 16 August 2023.

On 4th July 2021, the lender has filed another case against the Group requesting the court to refer the matter to experts to evaluate the ownership of the property and has also raised a demand for compensation for the period from the date of expiry of the contract, i.e., 30th June 2020 till date. The matter has been referred to experts. On 25 October 2021, the Court sentenced the referred to the Department of Experts which was scheduled for 21 March 2022, for receiving the expert report. The court received the experts report on 19 September 2022 and contravened on 23 October 2022 and decided to shift the case to a different department – Commercial Government department, which has decided to send the matters to their own set of experts. Further, on the same date, the Group has filed a counter litigation to prove its claim on the right of ownership on the property. However, finance cost was continuously accrued by the Group since the expiry of the contract on 30th June 2020 in order to provide any such contingency. The court had given a decision in favor of the Group on 25 December 2022 regarding the above 2 cases. During the period, Lender has appealed against the decision on 24 January 2023 and the court contravened on 17 May 2023 and ruled in favor of the Group to re-register the property in the name of the subsidiary, and in regard to the demand for compensation and claim on the right of ownership, the court is scheduled to convene on the matter on 16 August 2023.

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 June 2023

10 RELATED PARTY DISCLOSURES

Related parties represent the Ultimate 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 Parent Company's management.

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended June 2023 and 2022, as well as balances with related parties as at 30 June 2023, 31 December 2022 and 30 June 2022.

					<i>Six months ended</i>	
					<i>30 June</i>	<i>30 June</i>
					<i>2023</i>	<i>2022</i>
					<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of profit or loss:</i>						
Management fees				<i>Associates</i>	37,147	28,194
				<i>KD</i>	37,147	
	<i>Major shareholder of the Ultimate Parent Company</i>	<i>Associates</i>	<i>Other related parties</i>	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>2023</i>	<i>31 December</i>	<i>2022</i>
				<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>						
Receivables from related parties	-	599,574	11,850	611,424	454,880	235,515
Payables to related parties	121,845	388,566	33,320	543,730	536,835	532,850

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 June 2023

10 RELATED PARTY DISCLOSURES (continued)

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 six months ended</i>		<i>Balance outstanding as at</i>		
	<i>30 June 2023</i>	<i>30 June 2022</i>	<i>30 June 2023</i>	<i>31 December 2022</i>	<i>30 June 2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	53,646	60,348	76,031	122,983	80,012
End of service benefits	1,860	2,786	18,141	15,984	13,790
Compensation to independent board member	-	7,500	-	7,500	7,500
	55,506	70,634	94,172	146,467	101,302

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 June 2023

11 SEGMENT INFORMATION

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

- ▶ Hotel operations: Provision of hospitality services through the Millennium Hotel and Convention Center Kuwait
- ▶ Real estate: Managing investment properties
- ▶ Investment: Managing direct investments and investment in subsidiaries and associates

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 six months ended 30 June 2023 and 30 June 2022:

	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Other unallocated items KD</i>	<i>Total KD</i>
<i>Six months ended 30 June 2023</i>					
Segment revenue	2,124,077	231,494	2,303,206	52,863	4,711,640
Segment expenses	(2,154,938)	(48,554)	-	(200,037)	(2,403,529)
Segment results	<u>(30,861)</u>	<u>182,940</u>	<u>2,303,206</u>	<u>(147,174)</u>	<u>2,308,111</u>
	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Other unallocated items KD</i>	<i>Total KD</i>
<i>Six months ended 30 June 2022</i>					
Segment revenue	1,296,811	197,555	(5,043)	112,313	1,601,636
Segment expenses	(1,650,045)	(52,545)	-	(213,581)	(1,916,171)
Segment results	<u>(353,234)</u>	<u>145,010</u>	<u>(5,043)</u>	<u>(101,268)</u>	<u>(314,535)</u>

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 June 2023

11 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities for the Group's operating segments as at 30 June 2023, 31 December 2022 and 30 June 2022, respectively:

	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Other unallocated items KD</i>	<i>Total KD</i>
As at 30 June 2023					
Total assets	29,899,727	8,514,437	14,809,882	410,760	53,634,806
Total liabilities	24,023,951	891,800	399,615	442,579	25,757,945
31 December 2022 (Audited)					
Total assets	29,535,116	8,099,648	12,545,464	604,370	50,784,598
Total liabilities	23,425,593	910,085	399,615	441,767	25,177,060
As at 30 June 2022					
Total assets	29,376,020	6,530,871	11,857,374	2,082,006	49,846,271
Total liabilities	23,123,355	1,065,758	399,615	428,286	25,017,014

12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

30 June 2023	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and cash equivalents	2,797,968	-	2,797,968
Inventories	79,881	-	79,881
Accounts receivable and prepayments	1,192,590	-	1,192,590
Investment properties	-	6,930,000	6,930,000
Financial assets at FVOCI	-	414,375	414,375
Investment in associates	-	14,195,287	14,195,287
Right-of-use assets	-	1,439,871	1,439,871
Property and equipment	-	26,584,834	26,584,834
TOTAL ASSETS	4,070,439	49,564,367	53,634,806
LIABILITIES			
Employees' end of service benefits	-	340,162	340,162
Islamic finance payables	23,988,750	-	23,988,750
Accounts payable and accruals	1,390,825	38,208	1,429,033
TOTAL LIABILITIES	25,379,575	378,370	25,757,945
NET LIQUIDTY GAP	(21,309,136)	49,185,997	27,876,861

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 June 2023

12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2022

(Audited)

	<i>Within 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and cash equivalents	2,069,341	-	2,069,341
Inventories	73,801	-	73,801
Accounts receivable and prepayments	769,558	-	769,558
Investment properties	-	7,226,084	7,226,084
Financial assets at FVOCI	-	445,160	445,160
Investment in associates	-	11,900,084	11,900,084
Right-of-use assets	-	1,550,035	1,550,035
Property and equipment	-	26,750,535	26,750,535
	<u>2,912,700</u>	<u>47,871,898</u>	<u>50,784,598</u>
LIABILITIES			
Employees' end of service benefits	-	319,962	319,962
Islamic finance payables	23,437,500	-	23,437,500
Accounts payable and accruals	1,352,908	66,690	1,419,598
	<u>24,790,408</u>	<u>386,652</u>	<u>25,177,060</u>
NET LIQUIDTY GAP	<u>(21,877,708)</u>	<u>47,485,246</u>	<u>25,607,538</u>

30 June 2022

	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and cash equivalents	2,754,467	-	2,754,467
Inventories	63,115	-	63,115
Accounts receivable and prepayments	1,264,136	200,000	1,464,136
Investment properties	-	5,304,000	5,304,000
Financial assets at FVOCI	-	477,580	477,580
Investment in associates	-	11,179,794	11,179,794
Right-of-use assets	-	1,644,317	1,644,317
Property and equipment	-	26,958,862	26,958,862
	<u>4,081,718</u>	<u>45,764,553</u>	<u>49,846,271</u>
LIABILITIES			
Employees' end of service benefits	-	295,833	295,833
Islamic finance payables	23,270,000	-	23,270,000
Accounts payable and accruals	1,316,057	135,124	1,451,181
	<u>24,586,057</u>	<u>430,957</u>	<u>25,017,014</u>
NET LIQUIDTY GAP	<u>(20,504,339)</u>	<u>45,333,596</u>	<u>24,829,257</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2023

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

All financial assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorised within the fair value hierarchy, described as follows, 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 assets and liabilities that are recognised in the interim condensed consolidated financial information 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.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Unlisted equity securities

The fair value of unlisted equity investment has been estimated using a market-based valuation technique. The Group determines comparable public companies (peers) based on industry, size and leverage and calculates an appropriate trading multiple for the comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The Group classifies the fair value of these investments as Level 3.

Other financial assets and liabilities

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in interest rates.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	<i>Non-listed equity investments</i>		
	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2023</i>	<i>2022</i>	<i>2022</i>
As at 1 January	445,160	847,872	847,872
Remeasurement (loss) gain recognised in OCI	(30,785)	228,247	260,667
Redemptions	-	(630,959)	(630,959)
	414,375	445,160	477,580

The valuation techniques and inputs used in this 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.

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair values (continued)

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

14 LEGAL CLAIM CONTINGENCY

Financing arrangements of a partly owned subsidiary ("Subsidiary") expired and the debt outstanding of KD 21,000,000 was payable on 30 June 2020. The Subsidiary was unable to conclude re-negotiations with the lender or obtain replacement financing as at the maturity date. On 10 August 2020, the lender officially notified the subsidiary to surrender a pledged asset included under 'Properties and equipment' and carried at KD 26,578,499 (31 December 2022: KD 26,744,281 and 30 June 2022: KD 26,952,362) in the interim condensed consolidated statement of financial position as at 30 June 2023 (refer to Notes 7 and 9).

On 4 October 2020, the Subsidiary held its annual general assembly meeting ("AGM") and the majority shareholders approved to surrender the leased asset and discharge the debt obligation while preserving the Subsidiary's financial and legal rights to claim the difference between the carrying value of the leased asset and the debt obligation outstanding at the maturity date. However, the lender did not accept the handover terms and conditions which states the carrying value of the leased asset.

On 30 March 2021, the Subsidiary held an extra-ordinary general assembly meeting ("EGM") wherein the majority shareholders approved a plan to sell the leased asset to fulfil the debt obligations.

On 5th April 2021, the Group was subpoenaed by the court to evict and surrender the leased property following a claim lodged by the lender. The first hearing was scheduled on 7th April 2021, but was adjourned without deliberation. The Group's external legal counsel developed a defense strategy for the trial proceedings mainly claiming the difference between the carrying value of the lease property and debt obligation outstanding. On 17th November 2021 the Court of First Instance ruled in favour of the lender and ordered the Subsidiary to hand over the leased property. However, after taking appropriate legal advice, the Subsidiary decided to appeal against the decision before the Court of Appeal within the prescribed timeframe. On 20 June 2022, the higher court decided to suspend the case until the outcome of the counter litigation filed by the Group to prove its claim on the right of ownership on the property which is scheduled on 16 August 2023.

On 4th July 2021, the lender has filed another case against the Group requesting the court to refer the matter to experts to evaluate the ownership of the property and has also raised a demand for compensation for the period from the date of expiry of the contract, i.e., 30th June 2020 till date. The matter has been referred to experts. On 25 October 2021, the Court sentenced the referred to the Department of Experts which was scheduled for 21 March 2022, for receiving the expert report. The court received the experts report on 19 September 2022 and contravened on 23 October 2022 and decided to shift the case to a different department – Commercial Government department, which has decided to send the matters to their own set of experts. Further, on the same date, the Group has filed a counter litigation to prove its claim on the right of ownership on the property. However, finance cost was continuously accrued by the Group since the expiry of the contract on 30th June 2020 in order to provide any such contingency. The court had given a decision in favor of the Group on 25 December 2022 regarding the above 2 cases. During the period, Lender has appealed against the decision on 24 January 2023 and the court is scheduled to convene on this matter on 16 August 2023.

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