

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

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

**30 SEPTEMBER 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 September 2023, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three and nine months period then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International 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 September 2022: 21,000,000) and the finance cost of KD 2,644,375 (31 December 2022: KD 1,837,500, 30 September 2022: KD 1,653,750) are secured by a first charge over certain of the Group’s land and buildings (the “leased property”) with a carrying value of KD 26,469,060 (31 December 2022: KD 26,744,281 and 30 September 2022: KD 26,829,405).

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 Sharī'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 favor 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. The court convened on 16 August 2023 and did not come to a decision and a new date has not yet been appointed. 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 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***

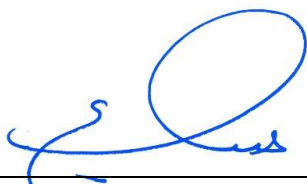
We draw attention to Note 2 in the interim condensed consolidated financial information, which stated that the Group has accumulated losses amounted to KD 22,052,057 (31 December 2022: KD 26,659,831 and 30 September 2022: KD 27,058,042). Further, the Group's current liabilities exceeded its current assets by KD 21,172,528 (31 December 2022: KD 21,877,708 and 30 September 2022: KD 22,092,684).

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 nine months period ended 30 September 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, 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 nine months period ended 30 September 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



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

14 November 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 September 2023

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2023	2022	2023	2022
		KD	KD	KD	KD
<b>INCOME</b>					
Hospitality income		<b>1,008,256</b>	760,438	<b>3,132,333</b>	2,057,249
Hospitality costs		<b>(531,998)</b>	(460,191)	<b>(1,613,643)</b>	(1,293,899)
<b>Net hospitality income</b>		<b>476,258</b>	300,247	<b>1,518,690</b>	763,350
Net rental income from investment properties		<b>116,087</b>	118,726	<b>347,581</b>	316,281
Share of results of associates	6	<b>2,295,243</b>	474,692	<b>4,598,449</b>	469,649
Management fees income		<b>17,170</b>	20,765	<b>54,317</b>	48,959
Other income		<b>5,590</b>	6,831	<b>21,305</b>	90,950
		<b>2,910,347</b>	921,261	<b>6,540,342</b>	1,689,189
<b>EXPENSES</b>					
Staff costs		<b>(170,961)</b>	(158,625)	<b>(550,955)</b>	(509,740)
Administrative expenses		<b>(163,162)</b>	(139,292)	<b>(485,718)</b>	(420,362)
Depreciation of right-of-use assets		<b>(23,644)</b>	(23,362)	<b>(70,931)</b>	(70,085)
(Provision)/reversal for expected credit losses		<b>(5,800)</b>	1,480	<b>(3,880)</b>	(530)
Financing costs for debts and loans.		<b>(284,624)</b>	(192,750)	<b>(853,874)</b>	(578,250)
Financing costs for lease obligations.		<b>(1,642)</b>	(3,631)	<b>(6,359)</b>	(12,176)
		<b>(649,833)</b>	(516,180)	<b>(1,971,717)</b>	(1,591,143)
<b>PROFIT FOR THE PERIOD BEFORE DIRECTORS' REMUNERATION</b>		<b>2,260,514</b>	405,081	<b>4,568,625</b>	98,046
Directors' remuneration		-	-	-	(7,500)
<b>PROFIT FOR THE PERIOD</b>		<b>2,260,514</b>	405,081	<b>4,568,625</b>	90,546
<b>Attributable to:</b>					
Equity holders of the Parent Company		<b>2,276,588</b>	429,755	<b>4,607,772</b>	157,858
Non-controlling interests		<b>(16,074)</b>	(24,674)	<b>(39,147)</b>	(67,312)
		<b>2,260,514</b>	405,081	<b>4,568,625</b>	90,546
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>					
	4	<b>3.98 Fils</b>	0.75 Fils	<b>8.06 Fils</b>	0.28 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 September 2023

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<b>2023 KD</b>	<b>2022 KD</b>	<b>2023 KD</b>	<b>2022 KD</b>
<b>PROFIT FOR THE PERIOD</b>	<b>2,260,514</b>	405,081	<b>4,568,625</b>	90,546
<b>Other comprehensive income (loss):</b>				
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	<b>5,426</b>	11,022	<b>7,498</b>	22,298
Share of other comprehensive income (loss) of associates	<b>17,282</b>	(4,140)	<b>7,207</b>	(15,835)
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>22,708</b>	6,882	<b>14,705</b>	6,463
<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	<b>(29,446)</b>	6,385	<b>(60,231)</b>	267,052
<b>Other comprehensive (loss) income for the period</b>	<b>(29,446)</b>	6,385	<b>(60,231)</b>	267,052
<b>Net other comprehensive (loss) income for the period</b>	<b>(6,738)</b>	13,267	<b>(45,526)</b>	273,515
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,253,776</b>	418,348	<b>4,523,099</b>	364,061
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>2,269,850</b>	443,022	<b>4,562,246</b>	431,373
Non-controlling interests	<b>(16,074)</b>	(24,674)	<b>(39,147)</b>	(67,312)
	<b>2,253,776</b>	418,348	<b>4,523,099</b>	364,061

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 September 2023

		30 September 2023 KD	(Audited) 31 December 2022 KD	30 September 2022 KD
	Notes			
<b>ASSETS</b>				
Cash and cash equivalents	5	3,225,142	2,069,341	2,009,485
Inventories		86,704	73,801	59,078
Accounts receivable and prepayments		1,160,575	769,558	779,387
Investment properties		6,930,000	7,226,084	6,978,750
Financial assets at FVOCI		384,929	445,160	483,965
Investment in associates	6	16,513,238	11,900,084	11,661,368
Right-of-use assets		1,384,268	1,550,035	1,588,996
Property and equipment	7	26,475,787	26,750,535	26,835,895
<b>TOTAL ASSETS</b>		<b>56,160,643</b>	<b>50,784,598</b>	<b>50,396,924</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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		(1,892,535)	(1,899,742)	(1,901,906)
Foreign currency translation reserve		71,073	63,574	75,657
Fair value reserve		(3,527,406)	(3,467,175)	(3,428,370)
Other reserve		(272,250)	(272,250)	(272,250)
Accumulated losses		(22,052,057)	(26,659,831)	(27,058,042)
<b>Equity attributable to equity holders of the Parent Company</b>		<b>29,871,454</b>	<b>25,309,205</b>	<b>24,959,718</b>
Non-controlling interests		259,186	298,333	287,887
<b>Total equity</b>		<b>30,130,640</b>	<b>25,607,538</b>	<b>25,247,605</b>
<b>LIABILITIES</b>				
Employees' end of service benefits		352,340	319,962	308,620
Islamic finance payables	9	24,264,375	23,437,500	23,453,750
Accounts payable and accruals		1,413,288	1,419,598	1,386,949
<b>Total liabilities</b>		<b>26,030,003</b>	<b>25,177,060</b>	<b>25,149,319</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>56,160,643</b>	<b>50,784,598</b>	<b>50,396,924</b>

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 September 2023

### Attributable to equity holders of the Parent Company

	Share capital KD	Treasury shares KD	Effect of changes in OCI of associates KD	Foreign currency translation reserve KD	Fair value reserve KD	Other reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2023	59,314,500	(1,769,871)	(1,899,742)	63,574	(3,467,175)	(272,250)	(26,659,831)	25,309,205	298,333	25,607,538
Profit (loss) for the period	-	-	-	-	-	-	4,607,774	4,607,774	(39,147)	4,568,627
Other comprehensive (loss) income	-	-	7,207	7,499	(60,231)	-	-	(45,525)	-	(45,525)
Total comprehensive (loss) income for the period	-	-	7,207	7,499	(60,231)	-	4,607,774	4,562,249	(39,147)	4,523,102
As at 30 September 2023	<b>59,314,500</b>	<b>(1,769,871)</b>	<b>(1,892,535)</b>	<b>71,073</b>	<b>(3,527,406)</b>	<b>(272,250)</b>	<b>(22,052,057)</b>	<b>29,871,454</b>	<b>259,186</b>	<b>30,130,640</b>

### Attributable to equity holders of the Parent Company

	Share capital KD	Treasury shares KD	Effect of changes in OCI of associates KD	Foreign currency translation reserve KD	Fair value reserve KD	Other reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
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
Profit (loss) for the period	-	-	-	-	-	-	157,858	157,858	(67,312)	90,546
Other comprehensive (loss) income	-	-	(15,835)	22,298	267,052	-	-	273,515	-	273,515
Total comprehensive (loss) income for the period	-	-	(15,835)	22,298	267,052	-	157,858	431,373	(67,312)	364,061
As at 30 September 2022	<b>59,314,500</b>	<b>(1,769,871)</b>	<b>(1,901,906)</b>	<b>75,657</b>	<b>(3,428,370)</b>	<b>(272,250)</b>	<b>(27,058,042)</b>	<b>24,959,718</b>	<b>287,887</b>	<b>25,247,605</b>

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 September 2023

	<i>Nine months ended 30 September</i>	
	<b>2023</b>	2022
	<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	<b>4,568,625</b>	90,546
<i>Adjustments to reconcile profit for the period to net cash flows:</i>		
Share of results of associates	<b>(4,598,449)</b>	(469,649)
Depreciation of property and equipment	<b>367,309</b>	372,429
Depreciation of right-of-use assets	<b>165,767</b>	164,922
Dividend from financial assets at FVOCI	<b>-</b>	(78,870)
Provision for expected credit losses	<b>3,880</b>	530
Finance costs on debts and borrowings	<b>853,874</b>	578,250
Finance cost on lease liabilities	<b>6,359</b>	12,176
Provision for employees' end of service benefits	<b>42,102</b>	38,586
	<b>1,409,467</b>	708,920
<i>Changes in operating assets and liabilities:</i>		
Inventories	<b>(12,903)</b>	(6,297)
Accounts receivable and prepayments	<b>(394,894)</b>	(115,677)
Accounts payable and accruals	<b>103,130</b>	(17,001)
Cash flows from operating activities	<b>1,104,800</b>	569,945
Employees' end of service benefits paid	<b>(9,724)</b>	(26,127)
<b>Net cash flows from operating activities</b>	<b>1,095,076</b>	543,818
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<b>(92,561)</b>	(20,050)
Sale (purchase) of investment properties	<b>296,084</b>	(1,674,750)
Proceeds from partial redemption of financial assets at FVOCI	<b>-</b>	630,959
Dividend received from financial assets at FVOCI	<b>-</b>	78,870
<b>Net cash flows from (used in) investing activities</b>	<b>203,523</b>	(984,971)
<b>FINANCING ACTIVITIES</b>		
Payment of lease liabilities	<b>(115,798)</b>	(106,028)
Finance costs paid	<b>(27,000)</b>	(39,176)
<b>Net cash flows used in financing activities</b>	<b>(142,798)</b>	(145,204)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,155,801</b>	(586,357)
Cash and cash equivalents at 1 January	<b>2,069,341</b>	2,595,842
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>3,225,142</b>	2,009,485

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 September 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 nine months ended 30 September 2023 was authorised for issue in accordance with a resolution of the directors on 14 November 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 3<sup>rd</sup> 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 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>
Gulf Real Estate Development House Company K.S.C. (Closed)	Real Estate	Kuwait	<b>87.99%</b>	87.99%	87.99%
Sokouk Real Estate Company K.S.C. (Closed) *	Real Estate	Kuwait	<b>99.99%</b>	99.99%	99.99%
Sokouk Al Kuwaitia Trading Company W.L.L.*	Real estate	Kuwait	<b>99%</b>	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 September 2023

**2 FUNDAMENTAL ACCOUNTING CONCEPT**

For the nine months period ended 30 September 2023, the Group earned a net profit of KD 4,568,625 (30 September 2022: KD 90,546) and, as of that date, Group's accumulated losses amounted to KD 22,052,057 (31 December 2022: KD 26,659,831 and 30 September 2022: KD 27,058,042). Further, as at the reporting date, the Group's current liabilities exceeded its current assets by KD 21,172,528 (31 December 2022: KD 21,877,708 and 30 September 2022: KD 22,092,684).

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 nine months ended 30 September 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 nine months period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. 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 September 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 PER SHARE (EPS)

Basic EPS is calculated by dividing the profit 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 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2023</b>	2022	<b>2023</b>	2022
Profit for the period attributable to equity holders of the parent Company (KD)	<b>2,276,588</b>	429,755	<b>4,607,772</b>	157,858
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	<b>571,645,336</b>	571,645,336	<b>571,645,336</b>	571,645,336
<b>Basic and diluted EPS</b>	<b>3.98</b>	0.75	<b>8.06</b>	0.28

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>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<b>2023</b>	2022	2022
	<b>KD</b>	KD	KD
Cash balance	<b>11,645</b>	9,936	13,437
Bank balances	<b>2,163,497</b>	1,509,405	1,996,048
Short term deposits (less than 3 months)	<b>1,050,000</b>	550,000	-
Cash and cash equivalents in interim condensed consolidated statement of financial position	<b>3,225,142</b>	2,069,341	2,009,485

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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#### 6 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	% Equity interest (Audited)			Carrying amount (Audited)		
	30 September 2023	31 December 2022	30 September 2022	30 September 2023	31 December 2022	30 September 2022
	%	%	%	KD	KD	KD
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")	27.67	27.67	27.67	3,054,116	-	-
Qitaf Joint Venture ("Qitaf")	36.43	36.43	36.43	944,691	852,340	851,692
The Zamzam 2013 JV ("Zamzam")	23.48	23.48	23.48	12,514,431	11,047,744	10,809,676
				<b>16,513,238</b>	<b>11,900,084</b>	<b>11,661,368</b>

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

	(Audited)		
	30 September 2023	31 December 2022	30 September 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	4,598,449	718,284	469,649
Share of other comprehensive income (loss)	7,207	(13,671)	(15,835)
Exchange differences	7,498	10,215	22,298
As at the end of the period/ year	<b>16,513,238</b>	<b>11,900,084</b>	<b>11,661,368</b>

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 26,469,060 (31 December 2022: KD 26,744,281, 30 September 2022: KD 26,829,405) 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 September 2023

### 8 EQUITY

#### 8.1 Share capital

As at 30 September 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 September 2022: 593,145,000) shares of 100 fils each. All shares are paid in cash.

#### 8.2 Treasury shares

	<i>30 September</i> <b>2023</b>	<i>(Audited)</i> <i>31 December</i> <b>2022</b>	<i>30 September</i> <b>2022</b>
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	752,488	494,492	580,491
Weighted average market price – fils	35	23	27

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>	<i>30 September</i> <b>2023</b> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <b>2022</b> <i>KD</i>	<i>30 September</i> <b>2022</b> <i>KD</i>
Secured Ijara facility*	Kuwaiti Dinar	6.00%	<b>600,000</b>	600,000	800,000
Secured Ijara contract**	Kuwaiti Dinar	5.25%	<b>23,664,375</b>	22,837,500	22,653,750
			<b>24,264,375</b>	23,437,500	23,453,750

\* Secured Ijara facility amounting to KD 600,000 (31 December 2022: KD 600,000 and 30 September 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 September 2022: KD 3,576,000).

\*\* Secured Ijara contract amounting to KD 23,664,375 (31 December 2022: KD 22,837,500 and 30 September 2022: KD 22,653,750) 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 23,664,375 are secured by a first charge over the Group’s leased property, with a carrying value of KD 26,469,060 at 30 September 2023 (31 December 2022: KD 26,744,281 and 30 September 2022: KD 26,829,405) (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.

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As at and for the period ended 30 September 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 but the case was postponed and a new date has not yet been decided upon.

# 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 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 nine months ended September 2023 and 2022, as well as balances with related parties as at 30 September 2023, 31 December 2022 and 30 September 2022.

				<i>Nine months ended</i>		
				<b>30 September</b>	<b>30 September</b>	
			<i>Associates</i>	<b>2023</b>	<b>2022</b>	
			<i>KD</i>	<i>KD</i>	<i>KD</i>	
<b><i>Interim condensed consolidated statement of profit or loss:</i></b>						
Management fees (Income)			<b>54,317</b>	<b>54,317</b>	48,959	
Management fees (Expenses)			<b>16,799</b>	<b>16,799</b>	-	
	<b><i>Major shareholder of the Ultimate Parent Company KD</i></b>	<b><i>Associates KD</i></b>	<b><i>Other related parties KD</i></b>	<b><i>30 September 2023 KD</i></b>	<b><i>(Audited) 31 December 2022 KD</i></b>	<b><i>30 September 2022 KD</i></b>
<b><i>Interim condensed consolidated statement of financial position:</i></b>						
Receivables from related parties	-	<b>704,748</b>	<b>34,296</b>	<b>739,044</b>	454,880	378,426
Payables to related parties	<b>121,844</b>	<b>388,566</b>	<b>24,064</b>	<b>534,474</b>	536,835	529,059



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 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 nine months ended</i>		<i>Balance outstanding as at</i>		
	<i>30 September 2023</i>	<i>30 September 2022</i>	<i>(Audited)</i>		
	<i>KD</i>	<i>KD</i>	<i>30 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	<b>80,574</b>	86,333	<b>73,446</b>	122,983	102,248
End of service benefits	<b>3,750</b>	6,536	<b>19,237</b>	15,984	14,887
Compensation to independent board member	-	7,500	-	7,500	7,500
	<b>84,324</b>	100,369	<b>92,683</b>	146,467	124,635

# 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 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 nine months ended 30 September 2023 and 30 September 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>Nine months ended 30 September 2023</i>					
Segment revenue	3,132,333	347,581	4,598,449	75,622	8,153,985
Segment expenses	(3,212,203)	(95,834)	-	(277,323)	(3,585,360)
Segment results	<u>(79,870)</u>	<u>251,747</u>	<u>4,598,449</u>	<u>(201,701)</u>	<u>4,568,625</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>Nine months ended 30 September 2022</i>					
Segment revenue	2,057,249	316,281	469,649	139,909	2,983,088
Segment expenses	(2,520,404)	(75,689)	-	(296,449)	(2,892,542)
Segment results	<u>(463,155)</u>	<u>240,592</u>	<u>469,649</u>	<u>(156,540)</u>	<u>90,546</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 September 2023

### 11 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities for the Group's operating segments as at 30 September 2023, 31 December 2022 and 30 September 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>
<b>As at 30 September 2023</b>					
Total assets	<b>30,022,807</b>	<b>8,711,022</b>	<b>17,098,387</b>	<b>328,427</b>	<b>56,160,643</b>
Total liabilities	<b>24,301,080</b>	<b>892,642</b>	<b>399,615</b>	<b>436,666</b>	<b>26,030,003</b>
<b>31 December 2022 (Audited)</b>					
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
<b>As at 30 September 2022</b>					
Total assets	29,282,787	7,873,418	12,345,551	895,168	50,396,924
Total liabilities	23,255,533	1,068,689	399,615	425,482	25,149,319

### 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.

<b>30 September 2023</b>	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	3,225,142	-	3,225,142
Inventories	86,704	-	86,704
Accounts receivable and prepayments	1,160,575	-	1,160,575
Investment properties	-	6,930,000	6,930,000
Financial assets at FVOCI	-	384,929	384,929
Investment in associates	-	16,513,238	16,513,238
Right-of-use assets	-	1,384,268	1,384,268
Property and equipment	-	26,475,787	26,475,787
<b>TOTAL ASSETS</b>	<b>4,472,421</b>	<b>51,688,222</b>	<b>56,160,643</b>
<b>LIABILITIES</b>			
Employees' end of service benefits	-	352,340	352,340
Islamic finance payables	24,264,375	-	24,264,375
Accounts payable and accruals	1,380,574	32,714	1,413,288
<b>TOTAL LIABILITIES</b>	<b>25,644,949</b>	<b>385,054</b>	<b>26,030,003</b>
<b>NET LIQUIDTY GAP</b>	<b>(21,172,528)</b>	<b>51,303,168</b>	<b>30,130,640</b>

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**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>
<b>ASSETS</b>			
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>
<b>LIABILITIES</b>			
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 September 2022*

	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	2,009,485	-	2,009,485
Inventories	59,078	-	59,078
Accounts receivable and prepayments	579,167	200,220	779,387
Investment properties	-	6,978,750	6,978,750
Financial assets at FVOCI	-	483,965	483,965
Investment in associates	-	11,661,368	11,661,368
Right-of-use assets	-	1,588,996	1,588,996
Property and equipment	-	26,835,895	26,835,895
	<u>2,647,730</u>	<u>47,749,194</u>	<u>50,396,924</u>
<b>LIABILITIES</b>			
Employees' end of service benefits	-	308,620	308,620
Islamic finance payables	23,453,750	-	23,453,750
Accounts payable and accruals	1,286,664	100,285	1,386,949
	<u>24,740,414</u>	<u>408,905</u>	<u>25,149,319</u>
NET LIQUIDTY GAP	<u>(22,092,684)</u>	<u>47,340,289</u>	<u>25,247,605</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 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 September 2023</i>	<i>31 December 2022</i>	<i>30 September 2022</i>
As at 1 January	<b>445,160</b>	847,872	847,872
Remeasurement (loss) gain recognised in OCI	<b>(60,231)</b>	228,247	267,052
Redemptions	-	(630,959)	(630,959)
	<b>384,929</b>	445,160	483,965

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 26,469,060 (31 December 2022: KD 26,744,281 and 30 September 2022: KD 26,829,405) in the interim condensed consolidated statement of financial position as at 30 September 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 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 but the case was postponed and a new date has not yet been decided upon.