

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

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

**30 JUNE 2016**



Building a better  
working world

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

### **Report on the Interim Condensed Consolidated Financial Information**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2016, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related 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 Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

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

#### *Emphasis of Matter*

We draw attention to the following:

- i) Note 6 to the interim condensed consolidated financial information, which states that Munshaat Real Estate Projects Company K.S.C.P. (an associate of the Company or ‘Munshaat’) has received a tax demand notice amounting to SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax (‘DZIT), Kingdom of Saudi Arabia (“tax claim”). In response to the tax claim, Munshaat has filed an objection letter with DZIT. Based on the advice from the tax consultant, the management of Munshaat has estimated and recorded a potential liability against the tax claim representing Zakat, withholding tax and related penalties in the interim condensed consolidated financial information. Notwithstanding the above facts, there is a significant material uncertainty as to the outcome of the tax claim. The provision recognised in the books as at 30 June 2016 represents the best estimate from the management of Munshaat.
- ii) Note 6 to the interim condensed consolidated financial information which describes that during the year 2015, the contractor of one of the properties of Munshaat in Kingdom of Saudi Arabia has claimed an amount of SAR 501 million (equivalent to KD 41 million) from Munshaat and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in completing the project. The case is currently under arbitration with the Saudi Arbitration Committee. The management of Munshaat, based on the advice from an independent legal counsel, believes that the outcome of the arbitration ruling would most probably be in favour of Munshaat and hence no provision has been recognised for this claim in the interim condensed consolidated financial information as at 30 June 2016.

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

**Report on the Interim Condensed Consolidated Financial Information (continued)**

*Emphasis of Matter (continued)*

- iii) Note 8 to the interim condensed consolidated financial information which describes the uncertainty related to the final outcome of an ongoing lawsuit in relation to a trading property owned by the Parent Company.

Our conclusion is not qualified in respect to the above matters.

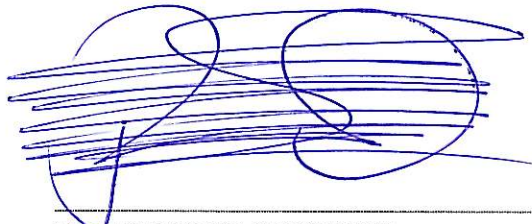
**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its executive regulations, or of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the six months period ended 30 June 2016 that might have had a material effect on the business of the Parent Company or on its financial position.



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WALEED A. AL OSAIMI  
LICENCE NO. 68-A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS



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DR. ALI OWAIID RUKHEYES  
LICENCE NO. 72-A  
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ALWAHA AUDITING OFFICE

8 August 2016  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2016

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>(Restated)*</i>	<i>2016</i>	<i>(Restated)*</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>INCOME</b>				
Hospitality income	1,040,612	104,896	2,153,191	104,896
Hospitality costs	(655,126)	(270,613)	(1,280,105)	(270,613)
Gross profit	385,486	(165,717)	873,086	(165,717)
Income from investment properties	98,039	78,749	195,040	147,394
Share of results of associates	(698,773)	(315,420)	(996,253)	873,224
Foreign exchange gain (loss)	1,151	8,636	(2,254)	45,341
Management fees	18,078	29,458	35,613	57,766
Other income	54,483	3,008	57,098	4,553
	(141,536)	(361,286)	162,330	962,561
<b>EXPENSES</b>				
Staff costs	(327,289)	(372,908)	(595,649)	(778,863)
Administrative expenses	(217,477)	(217,996)	(458,797)	(509,282)
Finance costs	(401,839)	(312,956)	(802,375)	(428,703)
Amortization of the leasehold property	(58,542)	-	(117,084)	-
<b>LOSS FOR THE PERIOD</b>	<b>(1,146,683)</b>	<b>(1,265,146)</b>	<b>(1,811,575)</b>	<b>(754,287)</b>
<b>Attributable to:</b>				
Equity holders of the Company	(1,118,087)	(1,082,339)	(1,769,419)	(447,044)
Non-controlling interests	(28,596)	(182,807)	(42,156)	(307,243)
	(1,146,683)	(1,265,146)	(1,811,575)	(754,287)
<b>BASIC AND DILUTED LOSS PER SHARE</b>				
<b>ATTRIBUTABLE TO EQUITY</b>				
<b>HOLDERS OF THE COMPANY</b>	<b>3</b>	<b>(1.96) fils</b>	<b>(1.89) fils</b>	<b>(3.10) fils</b>
		<b>(0.78) fils</b>		

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 6.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2016

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2016</i> <i>KD</i>	<i>(Restated)*</i> <i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>(Restated)*</i> <i>2015</i> <i>KD</i>
<b>LOSS FOR THE PERIOD</b>	<b>(1,146,683)</b>	<b>(1,265,146)</b>	<b>(1,811,575)</b>	<b>(754,287)</b>
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
<i>Other comprehensive (loss) income reclassifiable to interim condensed consolidated statement of income in subsequent periods</i>				
- Foreign currency translation adjustments	(1,318)	22,947	(24,012)	121,528
- Share of other comprehensive income of associates	(6,008)	23,309	(22,547)	269,690
<b>OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(7,326)</b>	<b>46,256</b>	<b>(46,559)</b>	<b>391,218</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(1,154,009)</b>	<b>(1,218,890)</b>	<b>(1,858,134)</b>	<b>(363,069)</b>
<b>Attributable to:</b>				
Equity holders of the Company	(1,125,413)	(1,027,003)	(1,815,978)	(55,826)
Non-controlling interests	(28,596)	(191,887)	(42,156)	(307,243)
	<b>(1,154,009)</b>	<b>(1,218,890)</b>	<b>(1,858,134)</b>	<b>(363,069)</b>


\* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 6.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2016

		30 June 2016 KD	(Audited) 31 December 2015 KD	(Restated)* 30 June 2015 KD
<b>ASSETS</b>				
Cash and cash equivalents		1,066,047	2,261,711	2,544,836
Inventories		53,314	64,966	79,035
Accounts receivables and prepayments		6,745,427	9,787,501	11,707,428
Investment properties	4	6,212,000	6,212,000	6,482,000
Leasehold property	5	4,800,436	-	-
Financial assets available for sale		3,578,220	3,578,220	3,831,533
Investment in associates	6	51,358,316	54,184,834	54,874,436
Sokouk utilization rights		26,600	26,600	35,353
Property and equipment	7	35,189,060	35,480,005	33,203,291
Trading property	8	1,500,022	1,500,022	1,500,022
<b>TOTAL ASSETS</b>		<b>110,529,442</b>	<b>113,095,859</b>	<b>114,257,934</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	9	59,314,500	59,314,500	59,314,500
Statutory reserve		2,895,475	2,895,475	2,895,475
Voluntary reserve		2,895,475	2,895,475	2,895,475
Treasury shares		(1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates		134,965	157,512	253,950
Foreign currency translation reserve		151,298	175,310	155,873
Other reserves	9	(258,172)	(258,172)	-
Retained earnings		13,082,049	14,851,468	15,168,744
<b>Equity attributable to the shareholders of the Company</b>		<b>76,445,719</b>	<b>78,261,697</b>	<b>78,914,146</b>
Non-controlling interests		1,142,388	1,184,544	851,756
<b>Total equity</b>		<b>77,588,107</b>	<b>79,446,241</b>	<b>79,765,902</b>
<b>Liabilities</b>				
Islamic finance payables	10	30,494,288	31,255,741	31,897,973
Accounts payable and accruals		2,117,269	2,102,807	2,337,598
Employees' end of service benefits		329,778	291,070	256,461
<b>Total liabilities</b>		<b>32,941,335</b>	<b>33,649,618</b>	<b>34,492,032</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>110,529,442</b>	<b>113,095,859</b>	<b>114,257,934</b>

  
Mr. Ghanem Yousef Abdullah Al-Ghanem  
Chairman

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 6.

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 2016

Atributable to equity holders of the Company

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Effect of changes in other comprehensive income of associates KD	Foreign currency translation reserve KD	Other reserves KD	Retained earnings KD	Sub-Total KD	Non-controlling Interest KD	Total equity KD
At 1 January 2016	59,314,500	2,895,475	2,895,475	(1,769,871)	157,512	175,310	(258,172)	14,851,468	78,261,697	1,184,544	79,446,241
Loss for the period	-	-	-	-	-	-	-	(1,769,419)	(1,769,419)	(42,156)	(1,811,575)
Other comprehensive loss for the period	-	-	-	-	(22,547)	(24,012)	-	-	(46,559)	-	(46,559)
Total comprehensive loss for the period	-	-	-	-	(22,547)	(24,012)	-	(1,769,419)	(1,815,978)	(42,156)	(1,858,134)
At 30 June 2016	59,314,500	2,895,475	2,895,475	(1,769,871)	134,965	151,298	(258,172)	13,082,049	76,445,719	1,142,388	77,588,107
At 1 January 2015	56,490,000	2,895,475	2,895,475	(1,769,871)	(15,740)	34,345	-	18,440,288	78,969,972	1,158,999	80,128,971
Loss for the period (restated)*	-	-	-	-	-	-	-	(447,044)	(447,044)	(307,243)	(754,287)
Other comprehensive loss for the period	-	-	-	-	269,690	121,528	-	-	391,218	-	391,218
Total comprehensive loss for the period	-	-	-	-	269,690	121,528	-	(447,044)	(55,826)	(307,243)	(363,069)
Bonus shares (Note 7)	2,824,500	-	-	-	-	-	-	(2,824,500)	-	-	-
At 30 June 2015 (restated)*	59,314,500	2,895,475	2,895,475	(1,769,871)	253,950	155,873	-	15,168,744	78,914,146	851,756	79,765,902

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 6.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 KD	(Restated)* 2015 KD
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(1,811,575)	(754,287)
Adjustments to reconcile loss for the period to net cash flows:			
Share of results of associates		996,253	(873,224)
Finance costs		802,375	428,702
Provision for employees' end of service benefits		38,708	23,136
Depreciation		406,705	136,948
Amortization		117,084	-
		<u>549,550</u>	<u>(1,038,725)</u>
Changes in operating assets and liabilities:			
Inventories		11,652	(79,035)
Accounts receivable and prepayments		(91,740)	876,236
Accounts payable and accruals		14,462	104,567
		<u>483,924</u>	<u>(136,957)</u>
<b>INVESTING ACTIVITIES</b>			
Dividend received from associates		-	445,487
Additions to property and equipment	7	(115,760)	(1,779,357)
		<u>(115,760)</u>	<u>(1,333,870)</u>
<b>FINANCING ACTIVITIES</b>			
Movement in islamic finance payables	10	(761,453)	2,874,469
Finance costs paid		(802,375)	-
		<u>(1,563,828)</u>	<u>2,874,469</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the period		2,261,711	1,141,194
		<u>1,066,047</u>	<u>2,544,836</u>

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2015 and reflect adjustments made as detailed in Note 6.



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

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

At 30 June 2016

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group") for the six month periods ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 8 August 2016.

The consolidated financial statements for the year ended 31 December 2015 were approved by the Company's shareholders during the Annual General Assembly held on 9 May 2016.

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

The Company is a subsidiary of Aref Investment Group S.A.K. ("Aref") ("the Parent Company"), a Kuwaiti share holding Company incorporated in the State of Kuwait and Aref is a subsidiary of Kuwait Finance House K.S.C.P. ("the Ultimate Parent Company"), a registered Islamic Bank with Central Bank of Kuwait and its shares are listed on the Kuwait Stock Exchange.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

The main activities of the Company are as follows:

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

All activities are conducted in accordance with Islamic sharee'a.

### 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

#### Change in accounting policy and disclosures

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the amendments, the new accounting policies of which are stated below and annual improvements to International Financial Reporting Standards (IFRSs), relevant to the Company which are effective for annual reporting period starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Company.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2016

**2 BASIS OF PREPARATION (continued)**

**Change in accounting policy and disclosures (continued)**

**Leases (continued)**

*Leases where the Group is a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leasehold property is amortised over the period of 21 years, less any accumulated impairment.

Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

*Impairment of leasehold property*

The carrying amounts of the leasehold property are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment is recognised in the interim condensed consolidated statement of income whenever the carrying amount of an asset exceeds its recoverable amount.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2015. Further, results for the six months period ended 30 June 2016, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

**3 BASIC AND DILUTED LOSS PER SHARE**

Basic and diluted loss per share is calculated by dividing the loss for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>(Restated)</i>	<i>2016</i>	<i>(Restated)</i>
	<i>KD</i>	<i>2015</i>	<i>KD</i>	<i>2015</i>
		<i>KD</i>		<i>KD</i>
Loss for the period attributable to equity holders of the Company	<b>(1,118,087)</b>	(1,082,339)	<b>(1,769,419)</b>	(447,044)
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
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
Basic and diluted loss per share	<b>(1.96) fils</b>	(1.89) fils	<b>(3.10) fils</b>	(0.78) fils

As at 30 June, the Company had no outstanding dilutive potential shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2016

**4 INVESTMENT PROPERTIES**

Investment properties comprise of buildings located in Kuwait.

The fair value of investment properties was determined as at 31 December 2015 by independent valuers who are specialised in valuing these types of properties. Management is of the view that no significant changes have occurred in fair values of these properties during the period ended 30 June 2016.

Investment properties are mortgaged as collateral against Islamic finance payables of KD 2,933,532 (31 December 2015: KD 2,909,279 and 30 June 2015: KD 3,039,325) (Note 10).

*Fair value hierarchy*

The investment properties have been categorized in level 3 of the fair value hierarchy based on the inputs and valuation techniques used in determining the fair value of the investment properties (Note 14).

**5 LEASEHOLD PROPERTY**

Leasehold property represents the Group's investment in 8th floor of Al Qebalah Tower located in the Kingdom of Saudi Arabia. Leasehold property is amortized over the leasehold term of 21 years and is measured at cost less accumulated amortization and impairment. Leasehold property was capitalized in February 2016 after receiving the notification of commencement of operations from the property manager.

**6 INVESTMENTS IN ASSOCIATES**

- i) On 5 January 2016, Munshaat Real Estate Projects Company K.C.S.P. (an associate of the Company or 'Munshaat') received a demand notice for SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax ("DZIT"), Kingdom of Saudi Arabia for the years 2003 to 2013 and claimed Capital gains tax, corporate income tax, withholding tax and penalties ("tax claim"). Refer to the consolidated financial statements of the Group for the year ended 31 December 2015 for details.

The management of Munshaat believes that the tax claim do not reflect the correct application of tax laws in the Kingdom of Saudi Arabia, the correct nature of the operations of Munshaat and also the underlying numbers used in the computation of tax claim are significantly different from the actual results of operations. Further, the management of Munshaat has appointed a tax consultant in the Kingdom of Saudi Arabia to review the tax claim and has filed an objection letter dated 2 March 2016 with DZIT.

Based on the advice from the tax consultant, Munshaat has computed the estimated impact of the aforesaid tax claim and recorded a tax liability of KD 12,004,980 as 31 December 2015 included in accounts payable and accruals. However, as on the date of the interim condensed consolidated financial information, there is a significant uncertainty as to the outcome of the tax claim. The provision recorded represents the best estimate of the tax liability that may arise from the tax claim.

- ii) During the year 2015, the contractor of one of the properties of Munshaat in Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from Munshaat for the delay in the execution of the project and various other related costs and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project and the operational losses. The dispute has been referred to Saudi Arbitration Committee and as on the date of these interim condensed consolidated financial information, the trial is in progress and the management of Munshaat, based on the advice from the legal counsel representing Munshaat in the aforesaid arbitration, believes that the outcome of the arbitration ruling will be in favor of Munshaat and also the counter claim filed by Munshaat on the developer is higher than the amount claimed by the developer. Accordingly, as at 30 June 2016, Munshaat has not recognised any provision against this claim in the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2016

**6 INVESTMENTS IN ASSOCIATES (continued)**

- iii) The management of Munshaat has reassessed the acquisition date of Al Qebalah Joint Venture (a subsidiary of Munshaat) in its consolidated financial statements for the year ended 31 December 2015. The management concluded the acquisition date to be during the period ended 30 June 2015. Accordingly, the management of the Company has restated the share of results of Munshaat by adjusting the previously reported amount by KD 623,817 for the three month and six months period ended 30 June 2015. This adjustment does not have any impact on the previously reported financial information as at 31 December 2015.

**7 PROPERTY AND EQUIPMENT**

Property and equipment represent costs of free hold land and building.

The land and building were revalued at 31 December 2015 based on the lower of two valuations obtained from independent professionally qualified valuers with relevant experience in the market. The valuation of the properties has been determined based on comparable market values for similar properties. Management is of the view that no significant changes have occurred in the fair values during the period ended 30 June 2016.

Cumulative borrowing costs amounting to KD 3,916,007 (31 December 2015: KD 3,916,007 and 30 June 2015: KD 3,001,277) have been capitalised as additions to property and equipment.

Property and equipment of KD 35,189,060 (31 December 2015: KD 35,476,534 and 30 June 2015: KD 33,203,291) are mortgaged as collateral against Islamic financing payables of KD 21,000,000 (31 December 2015: KD 21,000,000 and 30 June 2015: KD 21,000,000) (Note 10).

**8 TRADING PROPERTY**

During the year 2012, the Parent Company acquired a trading property at its fair value of KD 1,500,022 in lieu of settlement of a wakala receivable from the borrower. The title of this property was transferred to the Company as on that date. However during the prior year, the management became aware that there is an ongoing lawsuit between the borrower and a third party in relation to ownership of this property. Consequently, any transfer of the title of this property is subject to final outcome of the ongoing lawsuit. The trial is currently in process in the court of law and therefore, it is not practical to assess the final outcome of the court judgment. Accordingly, no provision has been recognised in the interim condensed consolidated financial information.

**9 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY**

- a) The annual general assembly of the shareholders of the Company held on 9 May 2016 approved the consolidated financial statements for the year ended 31 December 2015, and also approved the board of directors proposal not to distribute bonus shares (2014: 5% bonus shares amounting to KD 2,824,500) for the year ended 31 December 2015.
- b) During September 2015, the Group increased its equity interest in Gulf Real Estate Development House K.S.C. (Closed) (a subsidiary of the Company) from 75% to 87% as a result of issuance of additional share capital and consequently recognized a loss of KD 258,173 under 'other reserves' which is classified in equity.

**10 ISLAMIC FINANCE PAYABLES**

Islamic finance payables amounting to KD 23,933,532 (31 December 2015: KD 23,909,279 and 30 June 2015: KD 24,039,325) represent facilities obtained from local Islamic financial institutions and are secured by the property and equipment amounting to KD 35,189,060 (31 December 2015: KD 35,476,534 and 30 June 2015: KD 33,203,291) (Note 7) and investment properties amounting to KD 6,212,000 (31 December 2015: KD 6,212,000 and 30 June 2015: KD 6,482,000) (Note 4).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2016

11 RELATED PARTY TRANSACTIONS

Related parties represent Parent Company, 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 Company's management.

Transactions with related parties included in the interim condensed consolidated financial information are as follows:

	<i>Parent Company/Ultimate Parent Company</i>		<i>Associates</i>		<i>Others</i>		<i>30 June 2016</i>		<i>30 June 2015</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of income:</i>										
Finance costs		195,976	-	-	-	-	195,976	-	-	193,946
<i>Interim condensed consolidated statement of financial position:</i>										
Amounts due from related parties	-	5,822,056	46,818	5,868,874	4,071,350	4,552,799				
Amounts due to related parties	115,585	5,460	377,279	498,324	499,184	491,600				
Islamic finance payables	7,494,288	-	-	7,494,288	8,255,739	8,897,973				
Amounts due from/ due to related parties are receivables/ payables on demand and do not carry any profit.										
Amounts due from related parties are stated net of provision for doubtful debts of KD 29,224 (31 December 2015: KD 29,224 and 30 June 2015: KD 80,523).										

Key management compensation

	<i>Six months ended</i>	
	<i>30 June 2016</i>	<i>30 June 2015</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	185,647	185,647
End of service benefits	12,753	12,746
	<u>198,400</u>	<u>198,393</u>

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

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

At 30 June 2016

### 12 SEGMENT INFORMATION

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

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

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

The following table presents segment revenue, expenses, results information regarding the Group's operating business segments:

<i>Six months ended 30 June 2016</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	2,155,943	217,723	(996,253)	65,022	1,442,435
Segment expenses	(2,479,279)	(295,810)	(123,181)	(355,740)	(3,254,010)
Segment results	<u>(323,336)</u>	<u>(78,087)</u>	<u>(1,119,434)</u>	<u>(290,718)</u>	<u>(1,811,575)</u>

<i>Six months ended 30 June 2015 (Restated)</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	104,896	147,394	873,224	105,788	1,231,302
Segment expenses	(1,326,375)	(169,683)	(142,972)	(346,559)	(1,985,589)
Segment results	<u>(1,221,479)</u>	<u>(22,289)</u>	<u>730,252</u>	<u>(240,771)</u>	<u>(754,287)</u>

### 13 COMMITMENTS AND CONTINGENCIES

The Group had capital commitments towards construction contracts relating to property and equipment amounting to KD Nil (31 December 2015: KD 76,788 and 30 June 2015: Nil).

### 14 FAIR VALUES

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This level also includes items whose fair values have been provided by reputable external fund managers; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

Unquoted equity securities with a carrying value of KD 3,578,220 (31 December 2015: KD 3,578,220 and 30 June 2015: KD 3,789,663) are carried at cost because the fair value cannot be reliably determined. Investment properties have been classified under level 3 of the fair value hierarchy (Note 4).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2016

**14 FAIR VALUES (continued)**

There have not been any transfers of instruments between the levels of fair value hierarchy during the current period ended 30 June 2016 as well as the latest period presented in the interim condensed consolidated financial information.

Fair value of other financial instruments is not materially different for their carrying values at the reporting date.