

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

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

**30 JUNE 2019**



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

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

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the “Company”) and its subsidiaries (collectively, the “Group”) as at 30 June 2019, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

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

#### *Conclusion*

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

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

*Emphasis of Matter*

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

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Company’s Articles of Association and Memorandum of Incorporation, as amended, during the six-month period ended 30 June 2019 that might have had a material effect on the business of the Company or on its financial position.



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

7 August 2019  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 30 June 2019

	Note	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		KD	KD	KD	KD
<b>INCOME</b>					
Hospitality income		1,180,722	1,130,294	2,597,478	2,465,828
Hospitality costs		(700,556)	(670,962)	(1,409,509)	(1,373,771)
Net hospitality income		480,166	459,332	1,187,969	1,092,057
Net income from investment properties		98,265	89,550	196,774	194,761
Share of results of associates		248,375	(8,513)	(290,558)	(549,660)
Management fees income		23,029	18,488	34,437	34,284
Other income		6,623	2,521	14,307	6,361
		856,458	561,378	1,142,929	777,803
<b>EXPENSES</b>					
Staff costs		(232,660)	(297,808)	(500,616)	(560,873)
Administrative expenses		(232,120)	(228,281)	(472,159)	(463,060)
Finance costs		(343,285)	(390,331)	(682,566)	(779,089)
Amortisation of leasehold property		(29,247)	(39,784)	(58,493)	(79,568)
		(837,312)	(956,204)	(1,713,834)	(1,882,590)
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>19,146</b>	<b>(394,826)</b>	<b>(570,905)</b>	<b>(1,104,787)</b>
<b>Attributable to:</b>					
Equity holders of the Company		39,546	(369,732)	(553,013)	(1,077,419)
Non-controlling interests		(20,400)	(25,094)	(17,892)	(27,368)
		19,146	(394,826)	(570,905)	(1,104,787)
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>					
	4	0.07 fils	(0.65) fils	(0.97) fils	(1.88) fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2019

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
<b>Profit (loss) for the period</b>	<b>19,146</b>	<b>(394,826)</b>	<b>(570,905)</b>	<b>(1,104,787)</b>
<b>Other comprehensive income</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	(8,903)	35,029	(1,180)	15,907
Share of other comprehensive income (loss) of associates	9,456	7,214	(4,509)	(1,026)
<b>Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods</b>	<b>553</b>	<b>42,243</b>	<b>(5,689)</b>	<b>14,881</b>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>				
Net gain on equity instruments at fair value through other comprehensive income	200,721	43,751	32,709	43,751
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	<b>200,721</b>	<b>43,751</b>	<b>32,709</b>	<b>43,751</b>
<b>Net other comprehensive income for the period</b>	<b>201,274</b>	<b>85,994</b>	<b>27,020</b>	<b>58,632</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>220,420</b>	<b>(308,832)</b>	<b>(543,885)</b>	<b>(1,046,155)</b>
<b>Attributable to:</b>				
Equity holders of the Company	240,820	(283,738)	(525,993)	(1,018,787)
Non-controlling interests	(20,400)	(25,094)	(17,892)	(27,368)
	<b>220,420</b>	<b>(308,832)</b>	<b>(543,885)</b>	<b>(1,046,155)</b>


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

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

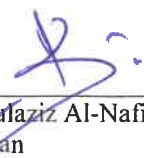
## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2019

		(Audited)	
	30 June 2019	31 December 2018	30 June 2018
Notes	KD	KD	KD
<b>ASSETS</b>			
Cash and cash equivalents	2,198,237	2,090,867	2,231,661
Inventories	60,631	61,897	59,561
Accounts receivable and prepayments	1,297,573	1,351,894	7,672,740
Investment properties	5,400,000	5,400,000	5,452,000
Leasehold property	2,047,247	2,105,740	2,944,026
Financial assets at fair value through other comprehensive income	12 2,142,588	2,109,879	2,693,431
Investment in associates	5 29,699,728	30,800,004	43,080,014
Property and equipment	6 33,360,215	32,687,934	32,836,802
Trading property	-	-	1,500,022
<b>TOTAL ASSETS</b>	<b>76,206,219</b>	<b>76,608,215</b>	<b>98,470,257</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7 59,314,500	59,314,500	59,314,500
Statutory reserve	2,895,475	2,895,475	2,895,475
Voluntary reserve	2,895,475	2,895,475	2,895,475
Treasury shares	7 (1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates	(1,850,359)	(1,845,850)	(228,079)
Foreign currency translation reserve	54,724	55,904	57,053
Fair value reserve	(3,361,819)	(3,394,528)	(2,810,976)
Other reserves	(272,250)	(272,250)	(258,172)
(Accumulated losses) / retained earnings	(9,392,888)	(8,839,875)	4,769,282
<b>Equity attributable to equity holders of the Company</b>	<b>48,512,987</b>	<b>49,038,980</b>	<b>64,864,687</b>
Non-controlling interests	1,204,052	1,221,944	1,262,012
<b>Total equity</b>	<b>49,717,039</b>	<b>50,260,924</b>	<b>66,126,699</b>
<b>Liabilities</b>			
Islamic finance payables	8 24,487,782	24,842,869	29,235,681
Accounts payable and accruals	1,698,733	1,007,004	2,614,115
Employees' end of service benefits	302,665	497,418	493,762
<b>Total liabilities</b>	<b>26,489,180</b>	<b>26,347,291</b>	<b>32,343,558</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>76,206,219</b>	<b>76,608,215</b>	<b>98,470,257</b>

  
Nawaf Musaed Abdulaziz Al-Osaimi  
Chairman



  
Ahmad Abdulaziz Al-Nafisi  
Vice Chairman

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2019

Attributable to equity holders of the Company

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury Shares KD	Effect of changes in other comprehensive income of associates KD	Foreign currency translation reserve KD	Fair value reserve KD	Other reserves KD	(Accumulated losses) / retained earnings KD	Sub-total KD	Non- controlling interests KD	Total equity KD
As at 1 January 2019	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,845,850)	55,904	(3,394,528)	(272,250)	(8,839,875)	49,038,980	1,221,944	50,260,924
Loss for the period	-	-	-	-	-	-	-	-	(553,013)	(553,013)	(17,892)	(570,905)
Other comprehensive (loss) income for the period	-	-	-	-	(4,509)	(1,180)	32,709	-	-	27,020	-	27,020
Total comprehensive (loss) income for the period	-	-	-	-	(4,509)	(1,180)	32,709	-	(553,013)	(525,993)	(17,892)	(543,885)
At 30 June 2019	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,850,359)	54,724	(3,361,819)	(272,250)	(9,392,888)	48,512,987	1,204,052	49,717,039
As at 1 January 2018 (as previously reported) (Audited)	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	-	(258,172)	2,991,974	65,883,474	1,289,380	67,172,854
Transition adjustment on initial application of IFRS 9 at 1 January 2018	-	-	-	-	-	-	(2,854,727)	-	2,854,727	-	-	-
Adjusted balance as at 1 January 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	(2,854,727)	(258,172)	5,846,701	65,883,474	1,289,380	67,172,854
Loss for the period	-	-	-	-	-	-	-	-	(1,077,419)	(1,077,419)	(27,368)	(1,104,787)
Other comprehensive (loss) income for the period	-	-	-	-	(1,026)	15,907	43,751	-	-	58,632	-	58,632
Total comprehensive (loss) income for the period	-	-	-	-	(1,026)	15,907	43,751	-	(1,077,419)	(1,018,787)	(27,368)	(1,046,155)
At 30 June 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	228,079	57,053	(2,810,976)	(258,172)	4,769,282	64,864,687	1,262,012	66,126,699

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 30 June 2019

	<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(570,905)	(1,104,787)
<i>Adjustments to reconcile loss for the period to net cash flows:</i>		
Share of results of associates	290,558	549,660
Finance costs	682,566	779,089
Provision for employees' end of service benefits	41,797	31,310
Depreciation of property and equipment and right-of-use assets	484,157	466,097
Amortisation of leasehold property	58,493	79,568
	<u>986,666</u>	<u>800,937</u>
<i>Changes in operating assets and liabilities:</i>		
Inventories	1,266	(1,258)
Accounts receivable and prepayments	54,321	178,481
Accounts payable and accruals	(147,514)	(199,428)
	<u>894,739</u>	<u>778,732</u>
Cash flows from operating activities	894,739	778,732
Employees' end of service benefits paid	(236,550)	(44,887)
	<u>658,189</u>	<u>733,845</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(245,820)	(16,989)
Proceeds from partial redemption of an associate	804,029	964,863
	<u>558,209</u>	<u>947,874</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of Islamic finance payables	(423,807)	-
Payment of lease liabilities	(71,375)	-
Finance costs paid	(613,846)	(597,828)
	<u>(1,109,028)</u>	<u>(597,828)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	107,370	1,083,891
Cash and cash equivalents at 1 January	2,090,867	1,147,770
	<u>2,198,237</u>	<u>2,231,661</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		

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

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

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



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

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

As at and for the period ended 30 June 2019

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 7 August 2019.

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

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

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

The principal activities of the Company are, as follows:

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

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

### 2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a net loss of KD 570,905 for the six months ended 30 June 2019 (30 June 2018: KD 1,104,787) and as of that date, the Group's current liabilities exceeded its current assets by KD 20,644,433 (31 December 2018: KD 1,545,215 and 30 June 2018: KD 5,992,715). The ability of the Group to continue as a going concern is dependent on the availability of funds to refinance or repay its banking facilities along with the Group's future profitability and its ability to generate positive operating cash flows primarily through its hospitality operations, which has earned revenues amounting to KD 2,597,478 during the six months ended 30 June 2019 (30 June 2018: KD 2,465,828) and has recognised an operating profit of KD 1,187,969 (30 June 2018: KD 1,092,057). The management expects that the hospitality operations will continue to generate positive cash flows in the foreseeable future. This interim condensed consolidated financial information has been prepared on a going concern basis as the management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the ability to meet its funding requirements and to refinance its banking facilities when they fall due. In addition, certain loans and borrowings are with a related party local Islamic financial institution, and the management expects the settlement of these facilities to be met out of the operating cash flows of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

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

**3.1 Basis of preparation**

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

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

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

**3.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

***IFRS 16 Leases***

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

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

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

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

	<i>KD</i>
<b>ASSETS</b>	
Right-of-use assets (included under property and equipment)	538,466
	<hr/> <hr/>
<b>LIABILITIES</b>	
Lease liabilities (included under accounts payable and accruals)	538,466
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

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

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

*IFRS 16 Leases (continued)*

**a) Nature of the effect of adoption of IFRS 16**

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

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

▶ *Leases previously classified as finance leases*

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

▶ *Leases previously accounted for as operating leases*

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

**b) Summary of new accounting policies**

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

▶ *Right-of-use assets*

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

▶ *Lease liabilities*

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

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

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

*IFRS 16 Leases (continued)*

**b) Summary of new accounting policies (continued)**

▶ *Lease liabilities (continued)*

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

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

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

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

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

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

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

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

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

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

	<i>Right-of-use assets KD</i>	<i>Lease liabilities KD</i>
At 1 January 2019	538,466	538,466
Additions during the period	417,292	417,292
Depreciation expense	(81,254)	-
Finance costs	-	22,545
Payments	-	(93,920)
At 30 June 2019	<u>874,504</u>	<u>884,383</u>

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

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

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

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### 4 EARNINGS PER SHARE (EPS)

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

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i>	<i>2018</i>		
Profit (loss) for the period attributable to equity holders of the Company (KD)	39,546	(369,732)	(553,013)	(1,077,419)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	571,645,336	571,645,336	571,645,336	571,645,336
Basic and diluted earnings (loss) per share (fils)	<u>0.07 fils</u>	<u>(0.65) fils</u>	<u>(0.97) fils</u>	<u>(1.88) fils</u>

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

### 5 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	<i>Equity interest</i>			<i>Carrying amount</i>		
	<i>30 June</i> <i>2019</i> %	<i>31 December</i> <i>2018</i> %	<i>30 June</i> <i>2018</i> %	<i>30 June</i> <i>2019</i> KD	<i>31 December</i> <i>2018</i> KD	<i>30 June</i> <i>2018</i> KD
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")*	27.67%	27.67%	27.67%	9,109,538	9,531,258	18,516,042
Qitaf Joint Venture ("Qitaf")	36.43%	36.43%	36.43%	2,509,337	2,587,100	2,849,020
The Zamzam 2013 JV ("Zamzam")	23.48%	23.48%	23.48%	18,080,853	18,681,646	21,714,952
				<u>29,699,728</u>	<u>30,800,004</u>	<u>43,080,014</u>

#### \*Legal claim contingency with respect to an associate

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

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

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**6 PROPERTY AND EQUIPMENT**

Property and equipment represent costs of freehold land and building.

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

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

Property and equipment of KD 32,423,072 (31 December 2018: KD 32,666,512 and 30 June 2018: KD 32,826,522) are pledged as collateral against Islamic finance payables of KD 21,000,000 (31 December 2018: KD 21,000,000 and 30 June 2018: KD 21,000,000) (Note 8).

**7 SHARE CAPITAL AND OTHER RESERVES**

**a) Share capital**

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

**b) Treasury shares**

	<i>30 June</i> <i>2019</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i>	<i>30 June</i> <i>2018</i>
Number of treasury shares	21,499,664	21,499,664	21,499,664
Percentage of share capital	3.6%	3.6%	3.6%
Cost of treasury shares – KD	1,769,871	1,769,871	1,769,871
Market value – KD	730,989	849,237	838,487
Weighted average market price – fils	40.7	47.2	47.7

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

**8 ISLAMIC FINANCE PAYABLES**

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

Islamic finance payables amounting to KD 24,487,782 (31 December 2018: KD 24,842,869 and 30 June 2018: KD 25,287,149) represent facilities obtained from local Islamic financial institutions and are secured by property and equipment amounting to KD 32,423,072 (31 December 2018: KD 32,666,512 and 30 June 2018: KD 32,826,522) (Note 6) and investment properties amounting to KD 5,400,000 (31 December 2018: KD 5,400,000 and 30 June 2018: KD 5,452,000).

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

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

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

As at and for the period ended 30 June 2019

#### 9 RELATED PARTY DISCLOSURES

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

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

	Six months ended					
	Major shareholder of the Parent Company		Associates	Major shareholder of the Parent Company		30 June 2018
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	KD		KD		KD	
<b>Statement of profit or loss:</b>						
Management fees	-	-	34,437	34,284	34,437	34,284
Finance costs	64,912	-	-	181,259	64,912	181,259
				(Audited)		
			30 June 2019	31 December 2018	30 June 2018	30 June 2018
			KD		KD	
<b>Statement of financial position:</b>						
Amounts due from related parties	-	-	310,947	488,223	317,495	6,644,999
Amounts due to related parties	-	137,974	68,910	234,039	216,140	169,849
Islamic finance payables	2,247,782	-	-	2,402,869	2,247,782	6,635,680
Amounts due from / due to related parties are interest free and have no fixed repayment schedule.						
<b>Key management compensation</b>						
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:						
	Transaction values for the three months ended		Transaction values for the six months ended		Balance outstanding as at	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	KD		KD		KD	
Salaries and other short-term benefits	35,798	74,788	73,426	148,530	35,715	67,543
End of service benefits	2,914	8,522	6,905	16,951	105,319	285,284
	38,712	83,310	80,331	165,481	141,034	329,788
					(Audited)	
			30 June 2019	31 December 2018	30 June 2019	30 June 2018
			KD		KD	

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

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

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### 10 SEGMENT INFORMATION

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

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

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

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

<i>Six months ended 30 June 2019</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	2,597,478	196,774	(290,558)	48,744	2,552,438
Segment expenses	(2,665,303)	(202,818)	-	(255,222)	(3,123,343)
Segment results	<u>(67,825)</u>	<u>(6,044)</u>	<u>(290,558)</u>	<u>(206,478)</u>	<u>(570,905)</u>
<i>Six months ended 30 June 2018</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	2,465,828	194,761	(549,660)	40,645	2,151,574
Segment expenses	(2,603,423)	(233,170)	(107,961)	(311,807)	(3,256,361)
Segment results	<u>(137,595)</u>	<u>(38,409)</u>	<u>(657,621)</u>	<u>(271,162)</u>	<u>(1,104,787)</u>

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

<i>As at 30 June 2019</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	<u>33,923,387</u>	<u>8,027,781</u>	<u>33,791,273</u>	<u>463,778</u>	<u>76,206,219</u>
Total liabilities	<u>24,018,663</u>	<u>302,546</u>	<u>1,670,019</u>	<u>497,952</u>	<u>26,489,180</u>
<i>As at 31 December 2018 (Audited)</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	<u>33,375,104</u>	<u>8,308,134</u>	<u>34,598,632</u>	<u>326,345</u>	<u>76,608,215</u>
Total liabilities	<u>23,348,121</u>	<u>356,540</u>	<u>2,076,876</u>	<u>565,754</u>	<u>26,347,291</u>
<i>As at 30 June 2018</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	<u>33,399,707</u>	<u>10,306,918</u>	<u>52,418,738</u>	<u>2,344,894</u>	<u>98,470,257</u>
Total liabilities	<u>23,818,406</u>	<u>287,195</u>	<u>6,306,445</u>	<u>1,931,512</u>	<u>32,343,558</u>



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

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

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### 11 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

<i>30 June 2019</i>	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	2,198,237	-	2,198,237
Inventories	60,631	-	60,631
Accounts receivable and prepayments	1,097,573	200,000	1,297,573
Investment properties	-	5,400,000	5,400,000
Leasehold property	-	2,047,247	2,047,247
Financial assets at fair value through other comprehensive income	-	2,142,588	2,142,588
Investment in associates	-	29,699,728	29,699,728
Property and equipment	-	33,360,215	33,360,215
<b>TOTAL ASSETS</b>	<b>3,356,441</b>	<b>72,849,778</b>	<b>76,206,219</b>
<b>LIABILITIES</b>			
Islamic finance payables	23,012,817	1,474,965	24,487,782
Accounts payable and accruals	988,057	710,676	1,698,733
Employees' end of service benefits	-	302,665	302,665
<b>TOTAL LIABILITIES</b>	<b>24,000,874</b>	<b>2,488,306</b>	<b>26,489,180</b>
<b>NET LIQUIDTY GAP</b>	<b>(20,644,433)</b>	<b>70,361,472</b>	<b>49,717,039</b>
<i>(Audited)</i>			
<i>31 December 2018</i>	<i>Within 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	2,090,867	-	2,090,867
Inventories	61,897	-	61,897
Accounts receivable and prepayments	1,151,894	200,000	1,351,894
Investment properties	-	5,400,000	5,400,000
Leasehold property	-	2,105,740	2,105,740
Financial assets at fair value through other comprehensive income	-	2,109,879	2,109,879
Investment in associates	-	30,800,004	30,800,004
Property and equipment	-	32,687,934	32,687,934
<b>TOTAL ASSETS</b>	<b>3,304,658</b>	<b>73,303,557</b>	<b>76,608,215</b>
<b>LIABILITIES</b>			
Islamic finance payables	3,842,869	21,000,000	24,842,869
Accounts payable and accruals	1,007,004	-	1,007,004
Employees' end of service benefits	-	497,418	497,418
<b>TOTAL LIABILITIES</b>	<b>4,849,873</b>	<b>21,497,418</b>	<b>26,347,291</b>
<b>NET LIQUIDTY GAP</b>	<b>(1,545,215)</b>	<b>51,806,139</b>	<b>50,260,924</b>

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

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

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### 11 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

<i>30 June 2018</i>	<i>Within 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	2,231,661	-	2,231,661
Inventories	59,561	-	59,561
Accounts receivable and prepayments	1,065,837	6,606,903	7,672,740
Investment properties	-	5,452,000	5,452,000
Leasehold property	-	2,944,026	2,944,026
Financial assets at fair value through other comprehensive Income	-	2,693,431	2,693,431
Investment in associates	-	43,080,014	43,080,014
Property and equipment	-	32,836,802	32,836,802
Trading property	1,500,022	-	1,500,022
<b>TOTAL ASSETS</b>	<b>4,857,081</b>	<b>93,613,176</b>	<b>98,470,257</b>
<b>LIABILITIES</b>			
Islamic finance payables	8,235,681	21,000,000	29,235,681
Accounts payable and accruals	2,614,115	-	2,614,115
Employees' end of service benefits	-	493,762	493,762
<b>TOTAL LIABILITIES</b>	<b>10,849,796</b>	<b>21,493,762</b>	<b>32,343,558</b>
<b>NET LIQUIDTY GAP</b>	<b>(5,992,715)</b>	<b>72,119,414</b>	<b>66,126,699</b>

### 12 FAIR VALUE MEASUREMENT

#### Fair value hierarchy

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

- ▶ Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ▶ Level 2 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).
- ▶ Level 3 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

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

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

#### Financial assets measured at fair value on a recurring basis:

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

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### 12 FAIR VALUE MEASUREMENT (continued)

Financial assets measured at fair value on a recurring basis:	Total KD	Level 3 KD
30 June 2018		
<i>Financial assets at fair value through other comprehensive income:</i>		
Unquoted equity security	2,693,431	2,693,431

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

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

	<i>At 1 January 2019 KD</i>	<i>Remeasurement recognised in OCI KD</i>	<i>At 30 June 2019 KD</i>
<b>30 June 2019</b>			
Unquoted equity security at fair value through other comprehensive income	2,109,879	32,709	2,142,588
	<i>(Restated)</i>	<i>Remeasurement</i>	
<b>31 December 2018 (Audited)</b>	<i>At 1 January 2018 KD</i>	<i>recognised in OCI KD</i>	<i>At 31 December 2018 KD</i>
Unquoted equity security at fair value through other comprehensive income	2,649,680	(539,801)	2,109,879
	<i>(Restated)</i>	<i>Remeasurement</i>	
<b>30 June 2018</b>	<i>At 1 January 2018 KD</i>	<i>recognised in OCI KD</i>	<i>At 30 June 2018 KD</i>
Unquoted equity security at fair value through other comprehensive income	2,649,680	43,751	2,693,431

#### Description of significant unobservable inputs to valuation

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

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

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

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

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**12 FAIR VALUE MEASUREMENT (continued)**

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

**Non-financial assets**

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

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