

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

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

**31 MARCH 2020**





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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 “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2020, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month 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*

1. The Group is required to assess at the reporting date, for all assets in scope of IAS 36 *Impairment of Assets*, whether there are any indicators of impairment. With the recent developments of the pandemic, the associates held by the Group decided to cease its hotel operations in Mecca and Medina until further notice, hence there are both external and internal sources of information indicating that certain non-financial assets held by the associates (i.e. right-of-use assets) may trigger the requirement for impairment tests. As a result, the Group is required to apply judgement to determine the recoverable amount of such investments estimated based on the value in use of the underlying non-financial assets to reflect the current uncertainty.

During the current period, the management of the associates engaged an accredited external independent valuer (“external expert”) to assist in the impairment assessment of its associates carried at KD 28,256,329 as at 31 March 2020, based on revised cash flows and valuation metrics. However, the external expert has not completed the exercise as at the authorisation date of this interim condensed consolidated financial information. Consequently, we were unable to determine whether any adjustments might be necessary to the interim condensed consolidated financial information of the Group.

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

*Basis for Qualified Conclusion (continued)*

2. Certain leased assets of the Group amounting to KD 28,613,675 are classified as finance leases and included under 'Properties and equipment' in the interim condensed consolidated statement of financial position. The Group has not recorded the leased asset at the recoverable amount, in light of the event disclosed in Notes 6 and 8 to the interim condensed consolidated financial information, which is not in line with the requirements of IFRSs. Had the leased asset been recorded at its recoverable amount, an amount of KD 7,613,675 would have been required to write down the leased asset to its recoverable amount. Accordingly, properties and equipment would have decreased by KD 7,613,675 and loss for the period and accumulated losses would have increased by the same amount.

*Qualified Conclusion*

Except for the effects and possible effects of the matters described in the "Basis for Qualified Conclusion" section of our report, 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.

*Material Uncertainty Related to Going Concern*

We draw attention to Note 2 in the interim condensed consolidated financial information, which indicates that the Group incurred a net loss of KD 658,617 during the three months ended 31 March 2020 (31 March 2019: KD 590,051), and, as of that date, the Group has accumulated losses amounted to KD 12,281,927 (31 December 2019: KD 11,649,466 and 31 March 2019: KD 9,432,434). The Group's current liabilities exceeded its current assets by KD 19,355,781 (31 December 2019: KD 17,980,868 and 31 March 2019: KD 990,180).

In addition to the above, as disclosed in Note 8, the Group's financing arrangements expired and the amount outstanding of KD 21,000,000 was payable on 30 June 2020. The Group has been unable to conclude re-negotiations with the lender or obtain replacement financing as at the authorisation date of this interim condensed consolidated financial information. As stated in Note 2, these events or conditions, along with other matters as set forth in the notes, 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.

*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 Parent 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 31 March 2020. Our conclusion is not modified in respect of this matter.

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

**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 matters 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 three-month period ended 31 March 2020 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 matters 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 three-month period ended 31 March 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



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

30 August 2020  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 31 March 2020

	Note	Three months ended 31 March	
		2020 KD	2019 KD
<b>INCOME</b>			
Hospitality income		955,625	1,416,756
Hospitality costs		(583,402)	(708,953)
Net hospitality income		372,223	707,803
Net rental income from investment properties		96,961	98,509
Share of results of associates		(441,666)	(538,933)
Management fees income		15,697	11,408
Other income		25,394	7,684
		<u>68,609</u>	<u>286,471</u>
<b>EXPENSES</b>			
Staff costs		(175,849)	(267,956)
Administrative expenses		(198,868)	(240,039)
Finance costs		(327,539)	(339,281)
Amortisation of leasehold property		(24,970)	(29,246)
		<u>(727,226)</u>	<u>(876,522)</u>
<b>LOSS FOR THE PERIOD</b>		<u>(658,617)</u>	<u>(590,051)</u>
<b>Attributable to:</b>			
Equity holders of the Parent Company		(632,461)	(592,559)
Non-controlling interests		(26,156)	2,508
		<u>(658,617)</u>	<u>(590,051)</u>
<b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	4	<u>(1.11) Fils</u>	<u>(1.04) Fils</u>

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 31 March 2020

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
<b>LOSS FOR THE PERIOD</b>	<b>(658,617)</b>	<b>(590,051)</b>
<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	44,270	7,723
Share of other comprehensive loss of associates	(81,209)	(13,965)
<b>Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods</b>	<b>(36,939)</b>	<b>(6,242)</b>
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Net loss on equity instruments at fair value through other comprehensive income	(251,761)	(168,012)
<b>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</b>	<b>(251,761)</b>	<b>(168,012)</b>
<b>Net other comprehensive loss for the period</b>	<b>(288,700)</b>	<b>(174,254)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(947,317)</b>	<b>(764,305)</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	(921,161)	(766,813)
Non-controlling interests	(26,156)	2,508
	<b>(947,317)</b>	<b>(764,305)</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 31 March 2020

		(Audited)	
	31 March	31 December	31 March
	2020	2019	2019
Notes	KD	KD	KD
<b>ASSETS</b>			
Cash and cash equivalents	4,549,043	3,579,465	1,812,457
Inventories	61,779	62,746	57,559
Accounts receivable and prepayments	1,066,076	2,113,747	2,182,180
Investment properties	5,380,000	5,380,000	5,400,000
Leasehold property	1,722,924	1,747,894	2,076,494
Financial assets at fair value at FVOCI	818,224	1,069,985	1,941,867
Investment in associates	5 28,256,329	28,734,934	29,450,800
Property and equipment	6 29,391,498	29,636,716	33,525,047
<b>TOTAL ASSETS</b>	<b>71,245,873</b>	<b>72,325,487</b>	<b>76,446,404</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 OCI of associates	(1,949,722)	(1,868,513)	(1,859,815)
Foreign currency translation reserve	98,186	53,916	63,627
Fair value reserve	(4,184,799)	(3,933,038)	(3,562,540)
Other reserves	(272,250)	(272,250)	(272,250)
Accumulated losses	(12,281,927)	(11,649,466)	(9,432,434)
<b>Equity attributable to equity holders of the Parent Company</b>	<b>44,745,067</b>	<b>45,666,228</b>	<b>48,272,167</b>
Non-controlling interests	725,549	751,705	1,224,452
<b>Total equity</b>	<b>45,470,616</b>	<b>46,417,933</b>	<b>49,496,619</b>
<b>Liabilities</b>			
Islamic finance payables	8 23,759,093	23,737,029	24,655,369
Accounts payable and accruals	1,655,632	1,798,688	1,942,729
Employees' end of service benefits	360,532	371,837	351,687
<b>Total liabilities</b>	<b>25,775,257</b>	<b>25,907,554</b>	<b>26,949,785</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>71,245,873</b>	<b>72,325,487</b>	<b>76,446,404</b>

  
Nawaf Musaed Abdulaziz Al-Usaimi  
Chairman

  
Ahmad Mohammed Othman Al-Quraishi  
Chief Executive Officer



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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2020

*Attributable to equity holders of the Parent Company*

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Effect of changes in OCI of associates KD	Foreign currency translation reserve KD	Fair value reserve KD	Other reserves KD	Accumulated losses 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)	(1,868,513)	53,916	(3,933,038)	(272,250)	(11,649,466)	45,666,228	751,705	46,417,933
Loss for the period	-	-	-	-	-	-	-	-	(632,461)	(632,461)	(26,156)	(658,617)
Other comprehensive (loss) income for the period	-	-	-	-	(81,209)	44,270	(251,761)	-	-	(288,700)	-	(288,700)
Total comprehensive (loss) income for the period	-	-	-	-	(81,209)	44,270	(251,761)	-	(632,461)	(921,161)	(26,156)	(947,317)
<b>At 31 March 2020</b>	<b>59,314,500</b>	<b>2,895,475</b>	<b>2,895,475</b>	<b>(1,769,871)</b>	<b>(1,949,722)</b>	<b>98,186</b>	<b>(4,184,799)</b>	<b>(272,250)</b>	<b>(12,281,927)</b>	<b>44,745,067</b>	<b>725,549</b>	<b>45,470,616</b>
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	-	-	-	-	-	-	-	-	(592,559)	(592,559)	2,508	(590,051)
Other comprehensive (loss) income for the period	-	-	-	-	(13,965)	7,723	(168,012)	-	-	(174,254)	-	(174,254)
Total comprehensive (loss) income for the period	-	-	-	-	(13,965)	7,723	(168,012)	-	(592,559)	(766,813)	2,508	(764,305)
<b>At 31 March 2019</b>	<b>59,314,500</b>	<b>2,895,475</b>	<b>2,895,475</b>	<b>(1,769,871)</b>	<b>(1,859,815)</b>	<b>63,627</b>	<b>(3,562,540)</b>	<b>(272,250)</b>	<b>(9,432,434)</b>	<b>48,272,167</b>	<b>1,224,452</b>	<b>49,496,619</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 CASH FLOWS**  
**(UNAUDITED)**  
For the period ended 31 March 2020

	<i>Three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	<b>(658,617)</b>	(590,051)
<i>Adjustments to reconcile loss for the period to net cash flows:</i>		
Share of results of associates	<b>441,666</b>	538,933
Finance costs on debts and borrowings	<b>316,344</b>	329,755
Finance cost on lease liabilities	<b>11,195</b>	9,526
Provision and impairment losses	<b>7,828</b>	-
Provision for employees' end of service benefits	<b>19,383</b>	21,615
Depreciation of property and equipment and right-of-use assets	<b>250,314</b>	234,847
Amortisation of leasehold property	<b>24,970</b>	29,246
	<b>413,083</b>	573,871
<i>Changes in operating assets and liabilities:</i>		
Inventories	<b>967</b>	4,338
Accounts receivable and prepayments	<b>1,039,843</b>	(26,257)
Accounts payable and accruals	<b>(107,291)</b>	9,401
Cash flows from operating activities	<b>1,346,602</b>	561,353
Employees' end of service benefits paid	<b>(30,688)</b>	(167,346)
<b>Net cash flows from operating activities</b>	<b>1,315,914</b>	394,007
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<b>(5,096)</b>	(116,202)
<b>Net cash flows used in investing activities</b>	<b>(5,096)</b>	(116,202)
<b>FINANCING ACTIVITIES</b>		
Repayment of Islamic finance payables	<b>-</b>	(201,263)
Payment of lease liabilities	<b>(46,960)</b>	(29,434)
Finance costs paid	<b>(294,280)</b>	(325,518)
<b>Net cash flows used in financing activities</b>	<b>(341,240)</b>	(556,215)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>969,578</b>	(278,410)
Cash and cash equivalents at 1 January	<b>3,579,465</b>	2,090,867
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>4,549,043</b>	1,812,457
<b>Non-cash items excluded from the interim condensed consolidated statement of cash flows:</b>		
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
Additions to right-of-use assets (adjusted with additions to property and equipment)	-	(417,292)
Transitional adjustment to property and equipment on adoption of IFRS 16 (adjusted with additions to property and equipment)	-	(538,466)

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 31 March 2020

### 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 three months ended 31 March 2020 was authorised for issue in accordance with a resolution of the directors on 27 August 2020.

The Group's annual audited consolidated financial statements for the year ended 31 December 2019 were approved by the shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 11 June 2020. 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 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 Shari'a as approved by the Parent Company's Fatwa and Shari'a Supervisory Board.

### 2 FUNDAMENTAL ACCOUNTING CONCEPT AND IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020 and measures taken by various governments to contain the virus have negatively affected the economic activity and the Group's business in various significant ways.

The Group has reported cumulative losses of KD 658,617 for the three months ended 31 March 2020, and, as of that date, the Group's current liabilities exceeded its current assets by KD 19,355,781.

The currently known impact of COVID-19 on the Group are:

- ▶ A decline in hospitality income for the first three months of 2020 compared to the same period in 2019 by 33% due to severe travel restrictions and measures taken by the government to partially close hotels and commercial facilities for the public resulting in extremely low occupancy, loss of banquet, meeting, food and beverage revenue.
- ▶ Fair value decreases in financial assets at FVOCI for the first three months of 2020 by 24% since 31 December 2019, mainly due to deterioration in financial markets and respective market index.
- ▶ Closure of hotels in Mecca and Medina from April 2020 until further notice resulting in a material disruption to the associates' businesses.

As a result of these effects, the Group operating results have declined significantly with the major negative impact identified during the second quarter of the year. Also, the Group's liquidity headroom has been negatively impacted.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the long-term impact on the Group's business will be.

## 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 31 March 2020

#### 2 FUNDAMENTAL ACCOUNTING CONCEPT AND IMPACT OF COVID-19 (continued)

Management seeks to obtain the best possible information to enable the Group to assess these risks and implement appropriate measures to respond. The Group has taken and will take a number of measures to monitor and prevent the effects of the COVID-19 virus. These measures include (but is not limited to) the following:

- ▶ Managing the Group's cash flows to ensure the continuity of operations.
- ▶ Reducing operating expenses at the Group level and deferment of non-essential capex.
- ▶ Initiate discussions with lessors to obtain lease extensions of the leasehold rights owned or managed by the Group to compensate for the periods of downtime at which such leases could be impacted due to Covid-19.

Based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 virus and resulting government measures could evolve, management has determined that the use of the going concern assumption is warranted, but given the unpredictability of the potential impact of the outbreak, there may be material uncertainties that cast doubt on the Group's ability to operate as a going concern

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, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (i.e. within one year after the date that the financial statements are issued)

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 of the Group has been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*".

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 2019.

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

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

###### **Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

###### **Amendments to IAS 1 and IAS 8: *Definition of Material***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

## 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 31 March 2020

#### 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)

###### Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial information of the Group.

###### Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the interim condensed consolidated financial information of the Group.

#### 4 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the 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>31 March</i>	
	<i>2020</i>	<i>2019</i>
Loss for the period attributable to equity holders of the Company (KD)	<b>(632,461)</b>	(592,559)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	<b>571,645,336</b>	571,645,336
Basic and diluted loss per share (fils)	<b>(1.11)</b>	(1.04)

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.

## 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 31 March 2020

#### 5 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	% equity interest			Carrying amount		
	31 March 2020 %	31 December 2019 %	31 March 2019 %	31 March 2020 KD	31 December 2019 KD	31 March 2019 KD
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")	27.67%	27.67%	27.67%	9,418,587	9,753,949	9,118,046
Qitaf Joint Venture ("Qitaf")	36.43%	36.43%	36.43%	2,436,053	2,439,333	2,547,404
The Zamzam 2013 JV ("Zamzam")	23.48%	23.48%	23.48%	16,401,689	16,541,652	17,785,350
				<b>28,256,329</b>	<b>28,734,934</b>	<b>29,450,800</b>

#### *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 these interim 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 final report issued on 2 February 2020 supported the Parent Company's position to a large extent.

Munshaat has been advised by its 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 has been made in its interim condensed consolidated financial information.

#### *Impairment assessment*

Investment in associates is subject to impairment for which the Group had carried out an annual assessment as at 31 December 2019. The assessment was conducted by determining the value in use ("VIU") of the underlying properties located in the Kingdom of Saudi Arabia using a discounted cash flow model. These valuations were performed by accredited independent valuers with relevant professional qualification and with recent experience in the location and category of properties being valued.

As indicated in Note 2. with the recent developments of the pandemic, the associates decided to cease its hotel operations in Mecca and Medina until further notice, hence there are both external and internal sources of information indicating that certain non-financial assets held by the associates may trigger the requirement for impairment tests. The Group has engaged an accredited external independent valuer ("external expert") to assist in the impairment assessment of certain non-financial assets held by the associates, however, the external expert has not completed the exercise as at the authorisation date of this interim condensed consolidated financial information.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

#### 6 PROPERTY AND EQUIPMENT

Land and buildings with a carrying amount of KD 28,613,675 (31 December 2019: KD 28,805,828, 31 March 2019: KD 32,405,513) are subject to a first charge to secure the Group's Islamic finance payables (Note 8).

## 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 31 March 2020

#### 6 PROPERTY AND EQUIPMENT (continued)

Subsequent to the reporting date, the Group's financing arrangements expired and the debt outstanding of KD 21,000,000 was payable on 30 June 2020 as disclosed in Note 8. The Group was not able to conclude re-negotiations with the lender or obtain replacement financing as at the authorisation date of this interim condensed consolidated financial information. As a result, the lender requested the Group on 10 August 2020 to hand over and transfer the leased property with immediate effect to settle the outstanding debt.

The Group is still in the process of negotiating the hand over terms with the lender and no final conclusion has been reached as of date. Management acknowledges that a material uncertainty remains that could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Subsequent to the reporting date, in April 2020, the hospitality sector has had the most immediate and acute impact from COVID-19 as the hotel operated by the Group was temporarily closed, and currently remain closed for the public as a result of severe travel restrictions and mandatory closure orders from government authorities. As a result of this closure, the Group have performed an impairment test for a leased property (land and buildings) classified as a finance lease with a carrying amount of KD 28,613,675 (31 December 2019: KD 28,805,828, 31 March 2019: KD 32,405,513) in the interim condensed financial information ended 30 June 2020 and recorded an impairment loss of KD 1,453,963 subsequently.

#### 7 SHARE CAPITAL AND TREASURY SHARES

##### 7.1) Share capital

At 31 March 2020, the authorised, issued and fully paid-up capital of the Parent Company comprises of 593,145,000 (31 December 2019: 593,145,000 and 31 March 2019: 593,145,000) shares of 100 fils each. All shares are paid in cash.

##### 7.2) Treasury shares

	<b>31 March 2020</b>	<i>(Audited)</i> 31 December 2019	31 March 2019
Number of treasury shares	21,499,664	21,499,664	21,499,664
Percentage of share capital	3.60%	3.60%	3.6%
Cost of treasury shares – KD	1,769,871	1,769,871	1,769,871
Market value – KD	515,992	752,488	739,588
Weighted average market price – fils	35.0	38.7	43.0

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.

#### 8 ISLAMIC FINANCE PAYABLES

	<i>Currency</i>	<i>Effective interest rate (EIR)</i>	<b>31 March 2020</b>	<i>(Audited)</i> 31 December 2019	31 March 2019
			<b>KD</b>	<b>KD</b>	<b>KD</b>
Secured	Kuwaiti Dinar	6%	23,759,093	23,737,029	24,655,369

Islamic finance payable amounting to KD 23,759,093 (31 December 2019: KD 23,737,029 and 31 March 2019: KD 24,655,369) represent facilities obtained from local financial institutions and are secured by property and equipment amounting to KD 28,613,675 (31 December 2019: KD 28,805,828, 31 March 2019: KD 32,405,513) (Note 6) and investment properties amounting to KD 5,380,000 (31 December 2019: KD 5,380,000 and 31 March 2019: KD 5,400,000).

Subsequent to the reporting date, the Group's financing arrangements expired and the debt outstanding of KD 21,000,000 was payable on 30 June 2020 as disclosed in Note 6. The Group was not able to conclude re-negotiations with the lender or obtain replacement financing as at the authorisation date of this interim condensed consolidated financial information. As a result, the lender requested the Group on 10 August 2020 to hand over and transfer the leased property with immediate effect to settle the outstanding debt.



## 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 31 March 2020

#### 10 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:

- ▶ 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 three months ended 31 March 2020 and 2019:

	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
<i>Three months ended 31 March 2020</i>					
Segment revenue	955,625	96,961	(423,360)	22,938	652,164
Segment expenses	(1,122,447)	(89,003)	-	(99,331)	(1,310,781)
Segment results	<u>(166,822)</u>	<u>7,958</u>	<u>(423,360)</u>	<u>(76,393)</u>	<u>(658,617)</u>
<i>Three months ended 31 March 2019</i>					
Segment revenue	1,416,837	105,378	(538,933)	12,142	995,424
Segment expenses	(1,361,652)	(115,026)	-	(108,797)	(1,585,475)
Segment results	<u>55,185</u>	<u>(9,648)</u>	<u>(538,933)</u>	<u>(96,655)</u>	<u>(590,051)</u>

The following table presents assets and liabilities for the Group's operating segments as at 31 March 2020, 31 December 2019 and 31 March 2019, respectively:

	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
<i>As at 31 March 2020</i>					
Total assets	<u>30,066,922</u>	<u>7,829,970</u>	<u>31,781,936</u>	<u>1,567,045</u>	<u>71,245,873</u>
Total liabilities	<u>23,712,194</u>	<u>1,507,051</u>	<u>-</u>	<u>556,012</u>	<u>25,775,257</u>
<i>As at 31 December 2019 (Audited)</i>					
Total assets	<u>30,457,772</u>	<u>7,793,559</u>	<u>32,557,586</u>	<u>1,516,570</u>	<u>72,325,487</u>
Total liabilities	<u>23,846,945</u>	<u>260,022</u>	<u>1,240,000</u>	<u>560,587</u>	<u>25,907,554</u>
<i>As at 31 March 2019</i>					
Total assets	<u>34,323,774</u>	<u>8,170,128</u>	<u>33,514,765</u>	<u>437,737</u>	<u>76,446,404</u>
Total liabilities	<u>24,195,305</u>	<u>387,467</u>	<u>1,863,634</u>	<u>503,379</u>	<u>26,949,785</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 are, as follows:

<i>31 March 2020</i>	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	4,549,043	-	4,549,043
Inventories	61,779	-	61,779
Accounts receivable and prepayments	866,076	200,000	1,066,076
Investment properties	-	5,380,000	5,380,000
Leasehold property	-	1,722,924	1,722,924
Financial assets at FVOCI	-	818,224	818,224
Investment in associates	-	28,256,329	28,256,329
Property and equipment	-	29,391,498	29,391,498
<b>TOTAL ASSETS</b>	<b>5,476,898</b>	<b>65,768,975</b>	<b>71,245,873</b>
<b>LIABILITIES</b>			
Islamic finance payables	23,759,093	-	23,759,093
Accounts payable and accruals	1,073,586	582,046	1,655,632
Employees' end of service benefits	-	360,532	360,532
<b>TOTAL LIABILITIES</b>	<b>24,832,679</b>	<b>942,578</b>	<b>25,775,257</b>
<b>NET LIQUIDTY GAP</b>	<b>(19,355,781)</b>	<b>64,826,397</b>	<b>45,470,616</b>
<i>31 December 2019 (Audited)</i>	<i>Within 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	3,579,465	-	3,579,465
Inventories	62,746	-	62,746
Accounts receivable and prepayments	1,913,747	200,000	2,113,747
Investment properties	-	5,380,000	5,380,000
Leasehold property	-	1,747,894	1,747,894
Financial assets at FVOCI	-	1,069,985	1,069,985
Investment in associates	-	28,734,934	28,734,934
Property and equipment	178,885	29,457,831	29,636,716
<b>TOTAL ASSETS</b>	<b>5,734,843</b>	<b>66,590,644</b>	<b>72,325,487</b>
<b>LIABILITIES</b>			
Islamic finance payables	22,537,064	1,199,965	23,737,029
Accounts payable and accruals	1,178,647	620,041	1,798,688
Employees' end of service benefits	-	371,837	371,837
<b>TOTAL LIABILITIES</b>	<b>23,715,711</b>	<b>2,191,843</b>	<b>25,907,554</b>
<b>NET LIQUIDTY GAP</b>	<b>(17,980,868)</b>	<b>64,398,801</b>	<b>46,417,933</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>31 March 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	1,812,457	-	1,812,457
Inventories	57,559	-	57,559
Accounts receivable and prepayments	1,982,180	200,000	2,182,180
Investment properties	-	5,400,000	5,400,000
Leasehold property	-	2,076,494	2,076,494
Financial assets at FVOCI	-	1,941,867	1,941,867
Investment in associates	-	29,450,800	29,450,800
Property and equipment	-	33,525,047	33,525,047
<b>TOTAL ASSETS</b>	<b>3,852,196</b>	<b>72,594,208</b>	<b>76,446,404</b>
<b>LIABILITIES</b>			
Islamic finance payables	3,655,369	21,000,000	24,655,369
Accounts payable and accruals	1,187,007	755,722	1,942,729
Employees' end of service benefits	-	351,687	351,687
<b>TOTAL LIABILITIES</b>	<b>4,842,376</b>	<b>22,107,409</b>	<b>26,949,785</b>
<b>NET LIQUIDTY GAP</b>	<b>(990,180)</b>	<b>50,486,799</b>	<b>49,496,619</b>

#### 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

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:

##### *Financial assets at FVOCI - Unquoted equity investments*

The Group invests in equity investments that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Fund uses a market-based valuation technique for these positions. The Group's determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the book value of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

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

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#### 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

##### *Other financial assets and liabilities*

Fair value of other financial instruments at amortised cost 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 profit rates.

##### Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	<i>Non-quoted equity investments</i>		
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
As at 1 January 2019	<b>1,069,985</b>	2,109,879	2,109,879
Remeasurement recognised in OCI	<b>(251,761)</b>	(847,710)	(168,012)
Redemptions	-	(192,184)	-
	<b>818,224</b>	<b>1,069,985</b>	<b>1,941,867</b>

##### 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 Group has performed a sensitivity analysis to the range of significant unobservable inputs used in the fair value measurements during the period. Based on such analysis, there is no material impact on the interim condensed financial information.

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