

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

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

**31 MARCH 2022**



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

### **Report on Review of Interim Condensed Consolidated Financial Information**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2022, 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 months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

#### *Scope of Review*

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

#### *Basis for Qualified Conclusion*

As described in Note 9 and Note 14 to the interim condensed consolidated financial information, Islamic finance payables of KD 21,000,000 (31 December 2021: KD 21,000,000) are secured by a first charge over certain of the Group’s land and buildings (the “leased property”) with a carrying value of KD 27,059,715 as at 31 March 2022 (31 December 2021: KD 27,180,093).

As stated in Note 9 and Note 14 therein, the financing arrangements expired and the amount outstanding was payable on 30 June 2020. The uncertainties arising from the COVID-19 pandemic has made it difficult for the Group to refinance the existing financial liabilities or to access alternative financing arrangements, and accordingly the Group has been unable to conclude renegotiations with the lender.

During the previous year, the Group was subpoenaed by the court to evict and handover the leased property following a claim lodged by the lender. On 17 November 2021, the first instance court ruled against the Group and handover the leased property to the lender. The Group had appealed against the ruling in higher court. The Group has also filed a counter litigation mainly claiming the difference between the carrying value of the leased property and the debt obligation outstanding. The court is scheduled to consider this matter on 13 June 2022. The Group continues to record the related finance cost.

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

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

*Basis for Qualified Conclusion (continued)*

As stated in Note 9 and Note 14, the lender filed another case against the Group requesting the court to refer the matter to experts to evaluate the ownership of the property and has also raised a demand for compensation for the period from date of expiry of financing arrangement. The court is scheduled to consider this matter on 30 May 2022. Further, the Group filed a counter litigation to prove its claim on the right of ownership of property and have also claimed refund of entire finance cost since the beginning of financing arrangement contending this financing was in contravention of Islamic Sharia law. The court is scheduled to consider this matter on 19 June 2022.

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

*Qualified Conclusion*

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the matter described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

*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 412,168 during the three months ended 31 March 2022 (31 March 2021: KD 1,240,276) and, as of that date, the Group has accumulated losses amounted to KD 27,602,176 (31 December 2021: KD 27,215,900 and 31 March 2021: KD 29,961,326). The Group's current liabilities exceeded its current assets by KD 20,498,231 (31 December 2021: KD 21,096,249 and 31 March 2021: KD 19,873,217).

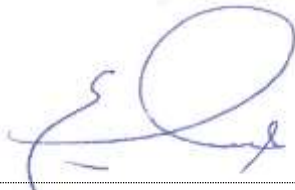
These events or conditions, along with other matters as set forth in Note 9 for which we have modified our conclusion as described in the "*Basis for Qualified Conclusion*" paragraph above, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

**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 possible effect of the matter described in the “*Basis for Qualified Conclusion*” section of our report, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association have occurred during the three-month period ended 31 March 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, except for the possible effect of the matter described in the “*Basis for Qualified Conclusion*” section of our report, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



---

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

12 May 2022  
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 2022

	Notes	Three months ended 31 March	
		2022 KD	2021 KD
<b>INCOME</b>			
Hospitality income		524,223	672,236
Hospitality costs		(372,029)	(403,040)
Net hospitality income		152,194	269,196
Net rental income from investment properties		97,997	94,834
Share of results of associates	5	(248,949)	(1,096,174)
Management fees income		12,474	12,413
Other income		81,596	18,618
		95,312	(701,113)
Staff costs		(168,658)	(195,419)
General and administrative expenses		(108,958)	(109,110)
Depreciation of right-of-use assets		(23,362)	(23,353)
Provision for expected credit losses		(1,770)	(6,500)
Finance costs		(197,232)	(204,781)
		(499,980)	(539,163)
<b>LOSS FOR THE PERIOD BEFORE DIRECTORS' REMUNERATION</b>		<b>(404,668)</b>	<b>(1,240,276)</b>
Directors' remuneration		(7,500)	-
<b>LOSS FOR THE PERIOD</b>		<b>(412,168)</b>	<b>(1,240,276)</b>
Equity holders of the Parent Company		(386,276)	(1,225,698)
Non-controlling interests		(25,892)	(14,578)
		(412,168)	(1,240,276)
<b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Fils)</b>	4	<b>(0.68)</b>	<b>(2.14)</b>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2022

	<i>Three months ended</i> <i>31 March</i>	
	<b>2022</b> <b>KD</b>	<b>2021</b> <b>KD</b>
<b>LOSS FOR THE PERIOD</b>	<b>(412,168)</b>	<b>(1,240,276)</b>
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<b>3,764</b>	(2,030)
Share of other comprehensive (loss) income of associates	<b>(2,275)</b>	19,379
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>1,489</b>	17,349
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Net gain on equity instruments designated at FVOCI	<b>287,855</b>	31,475
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	<b>287,855</b>	31,475
<b>Net other comprehensive income for the period</b>	<b>289,344</b>	48,824
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(122,824)</b>	<b>(1,191,452)</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>(96,932)</b>	(1,176,874)
Non-controlling interests	<b>(25,892)</b>	(14,578)
	<b>(122,824)</b>	<b>(1,191,452)</b>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2022

		(Audited)	
	31 March 2022	31 December 2021	31 March 2021
Notes	KD	KD	KD
<b>ASSETS</b>			
Cash and cash equivalents	2,693,398	2,595,842	3,055,243
Inventories	58,423	52,781	36,714
Accounts receivable and prepayments	1,342,819	664,240	1,046,057
Investment properties	5,304,000	5,304,000	5,141,000
Financial assets at FVOCI	504,768	847,872	692,453
Investment in associates	5 10,937,796	11,185,256	12,803,633
Right-of-use assets	1,699,291	1,753,918	2,150,736
Property and equipment	6 27,066,274	27,188,274	27,592,140
<b>TOTAL ASSETS</b>	<b>49,606,769</b>	<b>49,592,183</b>	<b>52,517,976</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
Voluntary reserve	-	-	2,895,475
Treasury shares	7 (1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates	(1,888,346)	(1,886,071)	(1,897,410)
Foreign currency translation reserve	57,123	53,359	53,107
Fair value reserve	(3,407,567)	(3,695,422)	(3,850,841)
Other reserve	(272,250)	(272,250)	(272,250)
Accumulated losses	(27,602,176)	(27,215,900)	(29,961,326)
<b>Equity attributable to equity holders of the Parent Company</b>	<b>24,431,413</b>	<b>24,528,345</b>	<b>27,406,859</b>
Non-controlling interests	329,307	355,199	502,492
<b>Total equity</b>	<b>24,760,720</b>	<b>24,883,544</b>	<b>27,909,351</b>
<b>LIABILITIES</b>			
Employees' end of service benefits	283,700	296,161	323,691
Islamic finance payables	9 23,086,250	22,902,500	22,551,250
Accounts payable and accruals	1,476,099	1,509,978	1,733,684
<b>Total liabilities</b>	<b>24,846,049</b>	<b>24,708,639</b>	<b>24,608,625</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49,606,769</b>	<b>49,592,183</b>	<b>52,517,976</b>

  
Mr. Abdulateef Mohammad Alothman  
Vice Chairman

  
Ahmad Mohammed Othman Al-Quraishi  
Chief Executive Officer

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2022

*Attributable to equity holders of the Parent Company*

	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Treasury shares KD</i>	<i>Effect of changes in OCI of associates KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Fair value reserve KD</i>	<i>Other reserve KD</i>	<i>Accumulated losses KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2022	59,314,500	-	-	(1,769,871)	(1,886,071)	53,359	(3,695,422)	(272,250)	(27,215,900)	24,528,345	355,199	24,883,544
Loss for the period	-	-	-	-	-	-	-	-	(386,276)	(386,276)	(25,892)	(412,168)
Other comprehensive (loss) income for the Period	-	-	-	-	(2,275)	3,764	287,855	-	-	289,344	-	289,344
Total comprehensive (loss) income for the period	-	-	-	-	(2,275)	3,764	287,855	-	(386,276)	(96,932)	(25,892)	(122,824)
<b>At 31 March 2022</b>	<b>59,314,500</b>	<b>-</b>	<b>-</b>	<b>(1,769,871)</b>	<b>(1,888,346)</b>	<b>57,123</b>	<b>(3,407,567)</b>	<b>(272,250)</b>	<b>(27,602,176)</b>	<b>24,431,413</b>	<b>329,307</b>	<b>24,760,720</b>
As at 1 January 2021	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,916,789)	55,137	(3,882,316)	(272,250)	(28,735,628)	28,583,733	517,070	29,100,803
Loss for the period	-	-	-	-	-	-	-	-	(1,225,698)	(1,225,698)	(14,578)	(1,240,276)
Other comprehensive income (loss) for the period	-	-	-	-	19,379	(2,030)	31,475	-	-	48,824	-	48,824
Total comprehensive income (loss) for the period	-	-	-	-	19,379	(2,030)	31,475	-	(1,225,698)	(1,176,874)	(14,578)	(1,191,452)
<b>At 31 March 2021</b>	<b>59,314,500</b>	<b>2,895,475</b>	<b>2,895,475</b>	<b>(1,769,871)</b>	<b>(1,897,410)</b>	<b>53,107</b>	<b>(3,850,841)</b>	<b>(272,250)</b>	<b>(29,961,326)</b>	<b>27,406,859</b>	<b>502,492</b>	<b>27,909,351</b>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.



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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2022

	<i>Three months ended 31 March</i>	
	<b>2022</b>	<b>2021</b>
	<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(412,168)	(1,240,276)
<i>Adjustments to reconcile loss for the period to net cash flows:</i>		
Share of results of associates	248,949	1,096,174
Depreciation of property and equipment	124,932	133,291
Impairment of right-of-use assets	-	69,641
Provision for expected credit losses on trade receivables	1,770	6,500
Depreciation of right-of-use assets	54,627	-
Dividend from financial assets at FVOCI	(78,870)	-
Finance costs on debts and borrowings	192,750	195,000
Finance cost on lease liabilities	4,482	9,781
Provision for employees' end of service benefits	10,633	16,890
	<b>147,105</b>	<b>287,001</b>
<i>Changes in operating assets and liabilities:</i>		
Inventories	(5,642)	140
Accounts receivable and prepayments	(49,390)	164,275
Accounts payable and accruals	35,524	(12,889)
Cash flows from operating activities	<b>127,597</b>	<b>438,527</b>
Employees' end of service benefits paid	(23,094)	(17,796)
<b>Net cash flows from operating activities</b>	<b>104,503</b>	<b>420,731</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,932)	(5,557)
Dividend received from financial assets at FVOCI	78,870	-
<b>Net cash flows from (used in) investing activities</b>	<b>75,938</b>	<b>(5,557)</b>
<b>FINANCING ACTIVITIES</b>		
Payment of lease liabilities	(73,885)	(54,480)
Finance costs paid	(9,000)	(11,250)
<b>Net cash flows used in financing activities</b>	<b>(82,885)</b>	<b>(65,730)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>97,556</b>	<b>349,444</b>
Cash and cash equivalents at 1 January	2,595,842	2,705,799
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>2,693,398</b>	<b>3,055,243</b>
<b>Non-cash items excluded from the interim condensed consolidated statement of cash flows:</b>		
Redemption of financial assets at FVOCI	630,959	-

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

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

As at and for the period ended 31 March 2022

### 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 2022 was authorised for issue in accordance with a resolution of the directors on 12 May 2022.

The Group’s annual audited consolidated financial statements for the year ended 31 December 2021 were approved by the shareholders of the Parent Company at the annual general assembly meeting (“AGM”) held on 26 April 2022. 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 Boursa 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 Sharī‘a as approved by the Parent Company’s Fatwa and Sharī‘a Supervisory Board.

### 2 FUNDAMENTAL ACCOUNTING CONCEPT

For the three months period ended 31 March 2022, the Group recognised a net loss of KD 412,168 (31 March 2021: KD 1,240,276) and, as of that date, the Group’s current liabilities exceeded its current assets by KD 20,498,231 (31 December 2021: KD 21,096,249 and 31 March 2021: KD 19,873,217). Further, the Group’s accumulated losses amounted to KD 27,602,176 (31 December 2021: KD 27,215,900 and 31 March 2021: KD 29,961,326) as at the reporting date.

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

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

**3.1 Basis of preparation**

The interim condensed consolidated financial information for the three months ended 31 March 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Group has prepared the financial information on the basis that it will continue to operate as a going concern. The management considered that material uncertainties exist that may cast doubt significant doubt over this assumption (Refer Note 2 for further details). They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

The Group has not early adopted any other standard, interpretation or amendment that has been issued or not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

In addition, results for the three months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

**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>	
	<b>2022</b>	2021
Loss for the period attributable to equity holders of the Company (KD)	<b>(386,276)</b>	(1,225,698)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	<b>571,645,336</b>	571,645,336
<b>Basic and diluted EPS</b>	<b>(0.68) Fils</b>	(2.14) Fils

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information 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 2022

#### 5 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	% Equity interest			Carrying amount		
	31 March	31 December	31 March	31 March	31 December	31 March
	2022	2021	2021	2022	2021	2021
	%	%	%	KD	KD	KD
Munshaat Real Estate Projects Company K.S.C.P. (“Munshaat”)	27.67	27.67	27.67	-	-	1,685,048
Qitaf Joint Venture (“Qitaf”)	36.43	36.43	36.43	773,306	813,197	717,536
The Zamzam 2013 JV (“Zamzam”)	23.48	23.48	23.48	10,164,490	10,372,059	10,401,049
				<b>10,937,796</b>	<b>11,185,256</b>	<b>12,803,633</b>

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

	(Audited)		
	31 March	31 December	31 March
	2022	2021	2021
	KD	KD	KD
<b>Reconciliation to carrying amounts:</b>			
At the beginning of the period/year	11,185,256	13,882,458	13,882,458
Share of results	(248,949)	(2,726,142)	(1,096,174)
Share of other comprehensive (loss) income	(2,275)	30,718	19,379
Exchange differences	3,764	(1,778)	(2,030)
At the end of the period/year	<b>10,937,796</b>	<b>11,185,256</b>	<b>12,803,633</b>

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

#### 6 PROPERTY AND EQUIPMENT

Land and buildings with a carrying amount of KD 27,059,715 (31 December 2021: KD 27,180,093, 31 March 2021: KD 27,563,399) are subject to a first charge to secure the Group’s Islamic finance payables (Note 9).

##### *Impairment losses related to a real estate property*

At 31 December 2021, the Group assessed whether there is an indication that land and building may be impaired through assessing factors such as significant external adverse changes including market, economic, technological or legal environment factors in which the Group operates or internal observable factors including failure to meet budgeted and forecasted earnings in the current and prior years; that may trigger indicators of impairment that will either impact the carrying value or the remaining useful life of land and building. The management has also considered certain additional factors such as maintenance status, market knowledge and historical transactions.

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

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

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

As at and for the period ended 31 March 2022

### 7 SHARE CAPITAL AND TREASURY SHARES

#### 7.1 Share capital

At 31 March 2022, the authorised, issued and fully paid-up capital of the Parent Company comprises of 593,145,000 (31 December 2021: 593,145,000 and 31 March 2021: 593,145,000) shares of 100 fils each. All shares are paid in cash.

#### 7.2 Treasury shares

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2022</i>	<i>31 December</i>	<i>31 March</i>
		<i>2021</i>	<i>2021</i>
Number of treasury shares	<b>21,499,664</b>	21,499,664	21,499,664
Percentage of share capital	<b>3.60%</b>	3.60%	3.60%
Cost of treasury shares – KD	<b>1,769,871</b>	1,769,871	1,769,871
Market value – KD	<b>644,990</b>	644,990	494,492
Weighted average market price – fils	<b>30</b>	30	23

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

### 8 ANNUAL GENERAL ASSEMBLY RESOLUTIONS

The annual general meeting (“AGM”) of the shareholders of the Parent Company held on 26 April 2022 approved the consolidated financial statements for the year ended 31 December 2021 and approved compensation of KD 7,500 to the independent board member for the year then ended. Further, the shareholders of the Parent Company in this AGM resolved not to distribute dividends for the year ended 31 December 2021.

The AGM of the shareholders of the Parent Company held on 24 June 2021 approved the consolidated financial statements for the year ended 31 December 2020 and resolved not to distribute dividends for the year then ended.

### 9 ISLAMIC FINANCE PAYABLES

		<i>Effective</i>		<i>(Audited)</i>	
	<i>Currency</i>	<i>interest rate</i>	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
		<i>(EIR)</i>	<i>2022</i>	<i>2021</i>	<i>2021</i>
			<i>KD</i>	<i>KD</i>	<i>KD</i>
Secured Ijara facility*	Kuwaiti Dinar	4.50%	<b>800,000</b>	800,000	1,000,000
Secured Ijara contract**	Kuwaiti Dinar	3.50%	<b>22,286,250</b>	22,102,500	21,551,250
			<b>23,086,250</b>	22,902,500	22,551,250

\*Secured Ijara facility amounting to KD 800,000 (31 December 2021: KD 800,000 and 31 March 2020: KD 1,000,000) represent facilities obtained from local Islamic financial institutions and are secured by investment properties amounting to KD 3,576,000 (31 December 2021: KD 3,576,000 and 31 March 2021: KD 3,512,000).

\*\*Secured Ijara contract amounting to KD 22,286,250 (31 December 2021: KD 22,102,500 and 31 March 2021: KD 21,551,250) represent a finance lease agreement (“Ijara contract”) entered into between Gulf Real Estate Development House Company (“Subsidiary”) and a local financial institution (“lender”) for a hotel property located in the State of Kuwait (“leased property”) with a lease term of 65 months commencing on the date of signing the Ijara contract and maturing at the end of the lease on 30 June 2020 (“maturity date”). The lease payments are repayable in equal quarterly instalments of KD 275,625 and the ownership of the leased property is transferred to the Subsidiary once a lump sum payment of KD 21,000,000 (“balloon payment”) is made at the maturity date. Ijara payables of KD 22,286,250 are secured by a first charge over the Group’s leased property, with a carrying value of KD 27,059,715 at 31 March 2022 (31 December 2021: KD 27,180,093 and 31 March 2021: 27,563,399) (Note 14).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

**9 ISLAMIC FINANCE PAYABLES (continued)**

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

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

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

On 5th April 2021, the Group was subpoenaed by the court to evict and surrender the leased property following a claim lodged by the lender. The first hearing was scheduled on 7th April 2021, but was adjourned without deliberation. The Group's external legal counsel developed a defense strategy for the trial proceedings mainly claiming the difference between the carrying value of the lease property and debt obligation outstanding. On 17th November 2021 the Court of First Instance ruled in favour of the lender and ordered the Subsidiary to hand over the leased property. However, after taking appropriate legal advice, the Subsidiary decided to appeal against the decision before the Court of Appeal within the prescribed timeframe. The court is scheduled to consider the matter on 13 June 2022.

On 4th July 2021, the lender has filed another case against the Group requesting the court to refer the matter to experts to evaluate the ownership of the property and has also raised a demand for compensation for the period from the date of expiry of the contract, i.e., 30th June 2020 till date. The matter has been referred to experts. On 25 October 2021, the Court sentenced the referred to the Department of Experts which was scheduled for March 21, 2022, for receiving the expert report. The session was postponed until May 30, 2022. Further, on the same date, the Group has filed a counter litigation to prove its claim on the right of ownership on the property. However, finance cost was continuously accrued by the Group since the expiry of the contract on 30th June 2020 in order to provide any such contingency, the court is scheduled to consider this matter on 19 June 2022.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

**10 RELATED PARTY DISCLOSURES (continued)**

**Key management compensation**

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions and balances outstanding related to key management personnel were as follows:

	<i>Transaction values for the three months ended</i>		<i>Balance outstanding as at</i>		
	<i>31 March 2022</i>	<i>31 March 2021</i>	<i>(Audited)</i>		
	<i>KD</i>	<i>KD</i>	<i>31 March 2022</i>	<i>31 December 2021</i>	<i>31 March 2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	<b>34,422</b>	37,426	<b>54,587</b>	61,725	58,237
End of service benefits	<b>1,851</b>	2,337	<b>12,706</b>	86,249	78,644
Compensation to independent board member*	<b>7,500</b>	-	<b>7,500</b>	-	-
	<b>43,773</b>	39,763	<b>74,793</b>	147,974	136,881

\* Compensation to independent board member has been approved by the shareholders of the Parent Company in their AGM held on 26 April 2022 (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 2022

### 11 SEGMENT INFORMATION

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

- ▶ Investment: Managing direct investments and investment in subsidiaries and associates
- ▶ Real estate: Managing investment properties
- ▶ Hotel operations: Provision of hospitality services 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 2022 and 31 March 2021:

	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Other unallocated items KD</i>	<i>Total KD</i>
<i>Three months ended</i>					
<i>31 March 2022</i>					
Segment revenue	524,223	97,997	(248,949)	94,069	467,341
Segment expenses	(749,432)	(26,782)	-	(103,295)	(879,509)
Segment results	<u>(225,209)</u>	<u>71,215</u>	<u>(248,949)</u>	<u>(9,226)</u>	<u>(412,168)</u>
	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Other unallocated items KD</i>	<i>Total KD</i>
<i>Three months ended</i>					
<i>31 March 2021</i>					
Segment revenue	672,236	94,834	(1,096,174)	31,031	(298,073)
Segment expenses	(779,921)	(57,357)	-	(104,925)	(942,203)
Segment results	<u>(107,685)</u>	<u>37,477</u>	<u>(1,096,174)</u>	<u>(73,894)</u>	<u>(1,240,276)</u>

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

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

As at and for the period ended 31 March 2022

### 11 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities for the Group's operating segments as at 31 March 2022, 31 December 2021 and 31 March 2021, respectively:

	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Other unallocated items KD</i>	<i>Total KD</i>
<b>As at 31 March 2022</b>					
Total assets	<b>29,346,409</b>	<b>6,306,775</b>	<b>12,598,998</b>	<b>1,354,587</b>	<b>49,606,769</b>
Total liabilities	<b>22,935,131</b>	<b>1,068,040</b>	<b>399,615</b>	<b>443,263</b>	<b>24,846,049</b>
<b>31 December 2021 (Audited)</b>					
Total assets	29,431,395	6,207,243	13,185,668	767,877	49,592,183
Total liabilities	22,793,787	1,069,569	388,566	456,717	24,708,639
<b>As at 31 March 2021</b>					
Total assets	30,313,236	5,873,318	15,344,417	987,005	52,517,976
Total liabilities	22,834,235	1,255,746	-	518,644	24,608,625

### 12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

<b>31 March 2022</b>	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	<b>2,693,398</b>	-	<b>2,693,398</b>
Inventories	<b>58,423</b>	-	<b>58,423</b>
Accounts receivable and prepayments	<b>1,142,819</b>	<b>200,000</b>	<b>1,342,819</b>
Investment properties	-	<b>5,304,000</b>	<b>5,304,000</b>
Financial assets at FVOCI	-	<b>504,768</b>	<b>504,768</b>
Investment in associates	-	<b>10,937,796</b>	<b>10,937,796</b>
Right-of-use assets	-	<b>1,699,291</b>	<b>1,699,291</b>
Property and equipment	-	<b>27,066,274</b>	<b>27,066,274</b>
<b>TOTAL ASSETS</b>	<b>3,894,640</b>	<b>45,712,129</b>	<b>49,606,769</b>
<b>LIABILITIES</b>			
Islamic finance payables	<b>23,086,250</b>	-	<b>23,086,250</b>
Accounts payable and accruals	<b>1,306,621</b>	<b>169,478</b>	<b>1,476,099</b>
Employees' end of service benefits	-	<b>283,700</b>	<b>283,700</b>
<b>TOTAL LIABILITIES</b>	<b>24,392,871</b>	<b>453,178</b>	<b>24,846,049</b>
<b>NET LIQUIDTY GAP</b>	<b>(20,498,231)</b>	<b>45,258,951</b>	<b>24,760,720</b>

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 2022

**12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

<i>31 December 2021</i>	<i>Within 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	2,595,842	-	2,595,842
Inventories	52,781	-	52,781
Accounts receivable and prepayments	464,240	200,000	664,240
Investment properties	-	5,304,000	5,304,000
Financial assets at FVOCI	-	847,872	847,872
Investment in associates	-	11,185,256	11,185,256
Right-of-use assets	-	1,753,918	1,753,918
Property and equipment	-	27,188,274	27,188,274
<b>TOTAL ASSETS</b>	<b>3,112,863</b>	<b>46,479,320</b>	<b>49,592,183</b>
<b>LIABILITIES</b>			
Islamic finance payables	22,902,500	-	22,902,500
Accounts payable and accruals	1,306,612	203,366	1,509,978
Employees' end of service benefits	-	296,161	296,161
<b>TOTAL LIABILITIES</b>	<b>24,209,112</b>	<b>499,527</b>	<b>24,708,639</b>
<b>NET LIQUIDTY GAP</b>	<b>(21,096,249)</b>	<b>45,979,793</b>	<b>24,883,544</b>
<i>31 March 2021</i>	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
<b>ASSETS</b>			
Cash and cash equivalents	3,055,243	-	3,055,243
Inventories	36,714	-	36,714
Accounts receivable and prepayments	846,057	200,000	1,046,057
Investment properties	-	5,141,000	5,141,000
Financial assets at FVOCI	-	692,453	692,453
Investment in associates	-	12,803,633	12,803,633
Right-of-use assets	-	2,150,736	2,150,736
Property and equipment	-	27,592,140	27,592,140
<b>TOTAL ASSETS</b>	<b>3,938,014</b>	<b>48,579,962</b>	<b>52,517,976</b>
<b>LIABILITIES</b>			
Islamic finance payables	22,551,250	-	22,551,250
Accounts payable and accruals	1,259,981	473,703	1,733,684
Employees' end of service benefits	-	323,691	323,691
<b>TOTAL LIABILITIES</b>	<b>23,811,231</b>	<b>797,394</b>	<b>24,608,625</b>
<b>NET LIQUIDTY GAP</b>	<b>(19,873,217)</b>	<b>47,782,568</b>	<b>27,909,351</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2022

**13 FAIR VALUE OF FINANCIAL INSTRUMENTS**

*Fair value hierarchy*

All financial assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

**Valuation methods and assumptions**

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

*Unlisted equity securities*

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

*Other financial assets and liabilities*

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

**Reconciliation of Level 3 fair values**

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

	<i>Non-listed equity investments</i>		
	<i>31 March 2022</i>	<i>31 December 2021</i>	<i>31 March 2021</i>
As at 1 January	<b>847,872</b>	660,978	660,978
Remeasurement gain recognised in OCI	<b>287,855</b>	186,894	31,475
Redemptions	<b>(630,959)</b>	-	-
	<b>504,768</b>	847,872	692,453

The valuation techniques and inputs used in this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

**13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

**14 LEGAL CLAIM CONTINGENCY**

Financing arrangements of a partly owned subsidiary ("Subsidiary") expired and the debt outstanding of KD 21,000,000 was payable on 30 June 2020. The Subsidiary was unable to conclude re-negotiations with the lender or obtain replacement financing as at the maturity date. On 10<sup>th</sup> August 2020, the lender officially notified the subsidiary to surrender a pledged asset included under 'Properties and equipment' and carried at KD 27,059,715 (31 December 2021 and 31 March 2021: KD 27,180,093 and KD 27,563,399 respectively) in the interim condensed consolidated statement of financial position as at 31 March 2022 (Refer to Notes 6 and 9).

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

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

On 5th April 2021, the Group was subpoenaed by the court to evict and surrender the leased property following a claim lodged by the lender. The first hearing was scheduled on 7th April 2021, but was adjourned without deliberation. The Group's external legal counsel developed a defense strategy for the trial proceedings mainly claiming the difference between the carrying value of the lease property and debt obligation outstanding. On 17th November 2021 the Court of First Instance ruled in favour of the lender and ordered the Subsidiary to hand over the leased property. However, after taking appropriate legal advice, the Subsidiary decided to appeal against the decision before the Court of Appeal within the prescribed timeframe. The court is scheduled to consider the matter on 13 June 2022.

On 4th July 2021, the lender has filed another case against the Group requesting the court to refer the matter to experts to evaluate the ownership of the property and has also raised a demand for compensation for the period from the date of expiry of the contract, i.e., 30th June 2020 till date. The matter has been referred to experts. On 25 October 2021, the Court sentenced the referred to the Department of Experts which was scheduled for March 21, 2022, for receiving the expert report. The session was postponed until May 30, 2022. Further, on the same date, the Group has filed a counter litigation to prove its claim on the right of ownership on the property. However, finance cost was continuously accrued by the Group since the expiry of the contract on 30th June 2020 in order to provide any such contingency, the court is scheduled to consider this matter on 19 June 2022.

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.  
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

[ey.com/mena](http://ey.com/mena)