

**Sokouk Holding Company K.S.C. (Holding)  
and its Subsidiaries**

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

**30 JUNE 2013**



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

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C. (Holding) (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2013 and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six 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 IAS 34 “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

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

*Conclusion*

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

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company’s Articles of Association and Memorandum of Incorporation during the six months period ended 30 June 2013 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI  
LICENCE NO. 68-A  
EY  
AL-AIBAN, AL-OSAIMI & PARTNERS  
6 August 2013  
Kuwait



ALI OWAIID RUKHAEYES  
LICENCE NO. 72A  
MEMBER OF THE INTERNATIONAL  
ACCOUNTING GROUP

Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2013

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 KD	2012 KD	2013 KD	2012 KD
<b>Income:</b>					
Net investment income	3	110,377	38,456	120,231	30,276
Share of results of associates		2,761,447	(338,647)	3,209,808	(86,583)
Share of results of joint venture		(41,473)	(37,656)	(35,141)	(74,644)
Reversal of provision against amounts due from related parties	5 & 12	12,464,906	-	12,464,906	-
Foreign exchange gain		2,595	341,885	378,308	229,971
Other income		75,278	55,197	124,640	112,284
		<u>15,373,130</u>	<u>59,235</u>	<u>16,262,752</u>	<u>211,304</u>
<b>Expenses:</b>					
Administrative expenses		(277,060)	(170,158)	(441,592)	(344,123)
Provision for doubtful debts		-	-	(33,167)	-
Finance costs		(92,460)	(71,246)	(187,299)	(163,361)
		<u>(369,520)</u>	<u>(241,404)</u>	<u>(662,058)</u>	<u>(507,484)</u>
<b>Profit (loss) for the period before provision for taxation and board of directors' remuneration</b>					
Taxation		15,003,610	(182,169)	15,600,694	(296,180)
Board of directors' remuneration		(117,789)	-	(124,416)	-
		<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<u>14,870,821</u>	<u>(182,169)</u>	<u>15,461,278</u>	<u>(296,180)</u>
<b>Attributable to:</b>					
Equity holders of the Company		14,878,285	(176,764)	15,481,995	(286,087)
Non-controlling interests		(7,464)	(5,405)	(20,717)	(10,093)
		<u>14,870,821</u>	<u>(182,169)</u>	<u>15,461,278</u>	<u>(296,180)</u>
<b>Basic and diluted earnings (loss) per share attributable to equity holders of the Company</b>					
	4	<u>28.69 fils</u>	<u>(0.33) fils</u>	<u>29.86fils</u>	<u>(0.53) fils</u>

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 30 June 2013

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>PROFIT(LOSS) FOR THE PERIOD</b>	<b>14,870,821</b>	<b>(182,169)</b>	<b>15,461,278</b>	<b>(296,180)</b>
<b>Other comprehensive (loss) income</b>				
<i>Other comprehensive income to be reclassified to statement of income in subsequent periods</i>				
Change in fair value of financial assets available for sale	(107,032)	30,738	(82,749)	139,951
Foreign currency translation adjustments	3,944	13,744	21,070	9,357
Share of other comprehensive (loss) income of associate	(857)	(9,572)	7,824	3,982
<b>Other comprehensive (loss) income for the period</b>	<b>(103,945)</b>	<b>34,910</b>	<b>(53,855)</b>	<b>153,290</b>
<b>Total comprehensive income (loss) for the period</b>	<b>14,766,876</b>	<b>(147,259)</b>	<b>15,407,423</b>	<b>(142,890)</b>
<b>Attributable to:</b>				
Equity holders of the Company	14,774,340	(141,854)	15,428,140	(132,797)
Non-controlling interests	(7,464)	(5,405)	(20,717)	(10,093)
	<b>14,766,876</b>	<b>(147,259)</b>	<b>15,407,423</b>	<b>(142,890)</b>

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2013

		(Audited) (Restated)	(Restated)
	30 June 2013 KD	31 December 2012 KD	30 June 2012 KD
<b>ASSETS</b>			
Cash and bank balances	212,926	1,539,866	1,250,167
Accounts receivables and prepayments	2,454,125	6,078,178	5,597,860
Sokouk utilization rights	5,846,224	5,828,060	5,367,882
Amounts due from related parties	12 3,065,625	24,104,771	26,498,666
Financial assets available for sale	7,623,964	8,275,159	8,395,074
Investment in associates	5 47,531,775	10,389,013	7,027,624
Investment in joint venture	1,838,087	1,852,158	1,663,953
Property and equipment	6 25,516,573	22,608,619	15,448,583
Investment properties	7 4,134,721	-	-
Non-current assets held for sale	8 1,711,733	1,711,733	-
<b>TOTAL ASSETS</b>	<b>99,935,753</b>	<b>82,387,557</b>	<b>71,249,809</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	53,800,000	53,800,000	100,000,000
Share premium	-	-	17,500,000
Statutory reserve	538,968	538,968	2,229,106
Voluntary reserve	538,968	538,968	2,229,106
Effect of changes in other comprehensive income of associates	(12,513)	(20,337)	(556,348)
Foreign currency translation adjustments	(37,488)	(58,558)	(62,755)
Cumulative changes in fair values	(22,703)	60,046	(189,768)
Treasury shares	9 (1,769,871)	(1,769,871)	-
Retained earnings (accumulated losses)	19,741,504	4,259,509	(68,444,299)
<b>Equity attributable to the shareholders of the Company</b>	<b>72,776,865</b>	<b>57,348,725</b>	<b>52,705,042</b>
Non-controlling interests	431,468	452,185	542,188
<b>Total equity</b>	<b>73,208,333</b>	<b>57,800,910</b>	<b>53,247,230</b>
<b>Liabilities</b>			
Due to financial institution	10 15,794,979	13,436,301	9,626,466
Murabaha payable	12 7,854,545	7,787,246	6,540,564
Accounts payable and accruals	1,957,395	1,925,267	1,220,780
Amounts due to related parties	12 987,033	1,320,555	514,870
Employees' end of service benefits	133,468	117,278	99,899
<b>Total liabilities</b>	<b>26,727,420</b>	<b>24,586,647</b>	<b>18,002,579</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99,935,753</b>	<b>82,387,557</b>	<b>71,249,809</b>

Mr. Mohammad Mubarak Al Hajeri  
Chairman

Mr. Feras Fahad Al Bahar  
Chief Executive Officer

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

**Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
For the period ended 30 June 2013

*Attributable to equity holders of the Company*

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Effect of changes in other comprehensive income of associates KD	Foreign currency translation reserve KD	Cumulative changes in fair values KD	Treasury shares KD	Retained earnings (accumulated losses) KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2013	53,800,000	-	538,968	538,968	(20,337)	(58,558)	60,046	(1,769,871)	4,259,509	57,348,725	452,185	57,800,910
Profit (loss) for the period	-	-	-	-	-	-	-	-	15,481,995	15,481,995	(20,717)	15,461,278
Other comprehensive income (loss) for the period	-	-	-	-	7,824	21,070	(82,749)	-	-	(53,855)	-	(53,855)
Total comprehensive income (loss) for the period	-	-	-	-	7,824	21,070	(82,749)	-	15,481,995	15,428,140	(20,717)	15,407,423
At 30 June 2013	53,800,000	-	538,968	538,968	(12,513)	(37,488)	(22,703)	(1,769,871)	19,741,504	72,776,865	431,468	73,208,333
At 1 January 2012	100,000,000	17,500,000	2,229,106	2,229,106	(560,330)	(72,112)	(329,719)	-	(68,158,212)	52,837,839	552,281	53,390,120
Loss for the period	-	-	-	-	-	-	-	-	(286,087)	(286,087)	(10,093)	(296,180)
Other comprehensive income for the period	-	-	-	-	3,982	9,357	139,951	-	-	153,290	-	153,290
Total comprehensive income (loss) for the period	-	-	-	-	3,982	9,357	139,951	-	(286,087)	(132,797)	(10,093)	(142,890)
At 30 June 2012	100,000,000	17,500,000	2,229,106	2,229,106	(556,348)	(62,755)	(189,768)	-	(68,444,299)	52,705,042	542,188	53,247,230

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 KD	(Restated) 2012 KD
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the period		15,461,278	(296,180)
Adjustment for:			
Net investment income		(120,231)	(30,276)
Share of results of associates		(3,209,808)	86,583
Share of results of joint venture		35,141	74,644
Reversal of provision against amounts due from related party	5	(12,464,906)	-
Depreciation		79	372
Provision for doubtful debts		33,167	-
Finance costs		187,299	163,361
Provision for employees' end of service benefits		16,190	13,542
		(61,791)	12,046
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		3,623,974	1,193,563
Amounts due from related parties		-	32,041
Accounts payable and accruals		38,977	723,468
Amounts due to related parties		(671,022)	-
Cash flow from operations		2,930,138	1,961,118
Employees' end of service benefits paid		-	(4,903)
Net cash flows from operating activities		2,930,138	1,956,215
<b>INVESTING ACTIVITIES</b>			
Proceeds from Murabaha deposits		-	350,000
Purchase of financial assets available for sale		(289,186)	(721,447)
Proceeds from sale of financial assets available for sale		572,156	673,000
Dividend income received		76,650	46,938
Additions to property and equipment		(2,907,954)	(1,806,226)
Purchase of investment property	7	(4,134,721)	-
Net cash flows used in investing activities		(6,683,055)	(1,457,735)
<b>FINANCING ACTIVITIES</b>			
Net movement in Murabaha payable		67,299	(196,952)
Net movement in due to financial institution		2,358,678	-
Net cash flows from (used in) financing activities		2,425,977	(196,952)
<b>NET (DECREASE) INCREASE IN CASH AND BANK BALANCES</b>		<b>(1,326,940)</b>	<b>301,528</b>
Cash and bank balances at the beginning of the period		1,539,866	948,639
<b>CASH AND BANK BALANCES AT THE END OF THE PERIOD</b>		<b>212,926</b>	<b>1,250,167</b>

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

# Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries

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

At 30 June 2013

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C. (Holding) (the Company) and its subsidiaries (collectively the "Group") for the six month period ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 6 August 2013.

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

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

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree). According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce by 26 September 2013 will determine the basis and rules which the company shall adopt to regularise its affairs with the Companies Law as amended.

### 2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information for the six month ended 30 June 2013 has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of the following new and amended International Accounting Standards Board ("IASB") Standards that have become effective from 1 January 2013 and those which are applicable to the Group.

#### *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on financial assets available-for-sale now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

#### *IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)*

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group does not provide this disclosure as total segment assets and total segment liabilities were not reported to the chief operating decision maker.

#### *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard did not have any material impact on the interim condensed consolidated financial information of the Group.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

**2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

*IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard did not have any material impact on the interim condensed consolidated financial information of the Group and the relevant disclosures will be made in the annual consolidated financial statements of the Group.

*IFRS 10 – Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control. Under IFRS 10, control is based on whether an investor has 1) power over the investee 2) exposure or rights to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard does not have any material impact on the financial position or performance of the Group.

*IFRS 12 – Disclosure of Involvement with Other Entities*

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to disclose information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of the consolidated entities. The Group will provide the additional disclosures in the annual consolidated financial statements.

*IFRS 13: Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 15.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012. In addition, results for the six month ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

**3 NET INVESTMENT INCOME**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Realised gain (loss) on financial assets available for sale	33,727	(8,144)	43,581	(16,662)
Dividend income	76,650	46,600	76,650	46,938
	<u>110,377</u>	<u>38,456</u>	<u>120,231</u>	<u>30,276</u>

# Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries

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

At 30 June 2013

### 4 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit (loss) for the period attributable to equity holders of the Company	<b>14,878,285</b>	(176,764)	<b>15,481,995</b>	(286,087)
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	<b>518,499,848</b>	538,000,000	<b>518,499,848</b>	538,000,000
Basic and diluted earnings (loss) per share	<b>28.69 fils</b>	(0.33) fils	<b>29.86 fils</b>	(0.53) fils

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

### 5 INVESTMENT IN ASSOCIATES

On 30 June 2013, the Company signed a Joint Venture Contract namely The Zamzam 2013 JV ("the JV Contract") along with other lenders and creditors ("creditors") to settle amounts due from Munshaat Real Estate Projects K.S.C. (Closed) ("associate"). Under the JV Contract, the associate has transferred its 100% interest in the Zamzam Tower and the property and equipment related to the Zamzam Tower (together referred as "leasehold property") to a newly unincorporated Joint Venture "The Zamzam 2013 JV" ("the JV") in exchange for settlement of its liabilities against these creditors. The financial impact of the above in the Group's interim condensed consolidated financial information for the period ended 30 June 2013 are as follows:

(i) *Settlement of amounts due from an associate:*

As at 30 June 2013, the Company had amounts due from associate, net of provision of KD 21,460,224. The associate transferred its interest in the leasehold property to the JV at a fair value of KD 136,972,638, determined by the valuation performed by an independent real estate valuator, as full and final settlement of amounts due to creditors. As part of the settlement, the Group has acquired ownership interest of 25.77% in the JV which equivalent to KD 33,925,130. Accordingly, the Company has reversed the provision of KD 12,464,906 on settlement of amounts due from associate in the interim condensed consolidated statement of income.

(ii) *Accounting of the Company's participating interest in the JV:*

As per the JV Contract, the Company has participating interest in the JV of 25.77% which is classified as "Investment in Associates". The Group has assessed the impact of IFRS 10 - Consolidated Financial Statements ("IFRS 10") and IFRS 11 - Joint Arrangements ("IFRS 11") due to the participating interest of 25.77% in JV. The management, based on their assessment, has concluded that the participating interest in the JV does not fall under the purview of IFRS 10 and IFRS 11. Hence, the Group classified its participating interest in the JV as "Investment in Associates" in the interim condensed consolidated statement of financial position.

### 6 PROPERTY AND EQUIPMENT

Property and equipment represent cost of free hold land and subsequent cost incurred to construct a hotel in Kuwait.

Cumulative borrowing costs amounting to KD 1,604,978 (31 December 2012: KD 863,960 and 30 June 2012: KD 669,937) has been capitalised as additions to property and equipment.

Property and equipment of KD 25,516,573 (31 December 2012: KD 22,608,619 and 30 June 2012: KD 15,448,583) is mortgaged as collateral against amounts due to financial institution of KD 13,899,979 (31 December 2012: KD 13,436,301 and 30 June 2012: KD 9,626,466) (Note 10).

# Sokouk Holding Company K.S.C. (Holding) and its Subsidiaries

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

At 30 June 2013

### 7 INVESTMENT PROPERTIES

During the current period the Group has acquired two residential buildings in Kuwait. These buildings will be utilized to generate rental income and have been classified as investment properties.

Investment properties are mortgaged as collateral against amounts due to financial institution of KD 1,895,000 (31 December 2012: KD Nil and 30 June 2012: KD Nil) (Note 10).

### 8 NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2012, the Group received joint ownership in lands as part of the final settlement of Wakala investment. The Group's share in the jointly owned lands is KD 1,711,733. The joint ownership in lands has been accounted as non-current assets held for sale since the joint owners of the lands have decided to sell the lands.

### 9 TREASURY SHARES

	<i>30 June</i> <i>2013</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2012</i> <i>KD</i>	<i>30 June</i> <i>2012</i> <i>KD</i>
Number of shares	19,500,152	19,500,152	-
Percentage of issued shares (%)	3.6%	3.6%	-
Market value (KD)	2,457,019	1,794,000	-

### 10 DUE TO FINANCIAL INSTITUTION

Due to financial institution represent facility obtained from a local islamic financial institution and is secured by the property and equipment (Note 6) and investment properties (Note 7).

### 11 ANNUAL GENERAL ASSEMBLY

The annual general assembly of the shareholders of the Company to approve the financial statements for the year ended 31 December 2012 was held on 26 May 2013. No cash dividend or bonus shares (31 December 2011: Nil) for the year ended 31 December 2012 were proposed and approved by the shareholders' in the annual general assembly meeting.

Soukouk Holding Company K.S.C. (Holding) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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12 RELATED PARTY TRANSACTIONS

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

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

	Parent Company/ Ultimate Parent Company	Associates KD	Joint venture KD	Others KD	30 June 2013 KD	30 June 2012 KD
<i>Interim condensed consolidated statement of income:</i>						
Administrative expenses	-	-	-	2,960	2,960	3,548
Finance costs	187,299	-	-	-	187,299	163,361
Reversal of provision against of amounts due from related party (Note 5)	-	12,464,906	-	-	12,464,906	-
Other income	17,865	-	-	-	17,865	-

	Parent Company/ Ultimate Parent Company	Associates KD	Joint Venture KD	Others KD	30 June 2013 KD	30 June (Audited) 31 December 2012 KD
<i>Interim condensed consolidated statement of financial position:</i>						
Amounts due from related parties	-	1,504,878	1,560,747	3,065,625	24,104,771	26,498,666
Amounts due to related parties	113,480	-	873,553	987,033	1,320,555	514,870
Due to financial institution	14,884,979	-	-	14,884,979	13,436,301	9,626,466
Murabaha payables	7,854,545	-	-	7,854,545	7,787,246	6,540,564
Cash in managed portfolio	-	-	6,846	6,846	61,220	6,983
Financial assets available for sale managed by related party	-	-	1,262,332	1,262,332	1,588,600	1,444,320
<i>Other transactions</i>						
Purchase of investment in an associate (Note 5)	-	-	-	-	-	-
	33,925,130	-	-	33,925,130	-	-

Soukouk Holding Company K.S.C. (Holding) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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12 RELATED PARTY TRANSACTIONS (continued)

During the current year, the Company entered into an agreement with the Parent Company to settle amounts due to Parent Company of KD 337,500 by transferring financial assets available for sale with carrying value of KD 319,655. The difference between the amounts due to Parent Company and carrying value of financial asset available for sale was recorded as other income in the interim condensed consolidated statement of income.

Amounts due from related parties are stated net of provision for doubtful debts of KD 1,220,510 (31 December 2012: KD 14,547,516 and 30 June 2012: KD 14,108,616).

Key management compensation

	<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>
	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	71,649	79,610
End of service benefits	8,208	9,120
	<u>79,857</u>	<u>88,730</u>

13 SEGMENT INFORMATION

The group primarily engages in real estate business activities and its primary basis for segmental reporting is geographical segments, which is subject to risks and rewards that are different from those of other segments.

The group operates in two geographical markets: Domestic and International. The geographical analysis is as follows:

	<i>Domestic</i>		<i>International</i>		<i>Total</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>For six months ended 30 June:</i>						
Segment income (loss)*	3,726,294	285,948	71,552	(74,644)	3,797,846	211,304
Segment expenses	(801,474)	(507,484)	-	-	(801,474)	(507,484)
Segment results	<u>2,924,820</u>	<u>(221,536)</u>	<u>71,552</u>	<u>(74,644)</u>	<u>2,996,372</u>	<u>(296,180)</u>

\*Segment income and results presented above does not include reversal of provision against amounts due from related parties of KD 12,464,906 (Note 5)

14 COMMITMENTS AND CONTINGENCIES

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2013</i>	<i>2012</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Capital commitments	1,159,593	2,456,712	4,244,124
Contingent liabilities	-	-	3,196
	<u>1,159,593</u>	<u>2,456,712</u>	<u>4,227,320</u>

# Soukouk Holding Company K.S.C. (Holding) and its Subsidiaries

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

At 30 June 2013

### 15 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date

#### Fair value hierarchy

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

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

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

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>30 June 2013</i>				
Financial assets available for sale	1,267,681	-	6,356,283	7,623,964
<i>31 December 2012(Audited)</i>				
Financial assets available for sale	1,599,245	-	6,675,914	8,275,159
<i>30 June 2012</i>				
Financial assets available for sale	1,444,320	-	6,950,754	8,395,074

During the six months period ended 30 June 2013, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements. The only movement in the Level 3 equity shares since 31 December 2012 was transfer of investments with carrying value of KD 319,631 to Parent Company (Note 12). No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

Soukoku Holding Company K.S.C. (Holding) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

16 COMPARATIVE INFORMATION

During prior years, management of the Company has incorrectly classified cost of freehold land and construction cost, net of impairment related to a hotel project in Kuwait as an investment property. The hotel will be operated by the management on completion of construction work. Accordingly, during the current period management has reclassified the hotel project as property and equipment from investment property and restated the comparative information as at 31 December 2012 and 30 June 2012 presented in the interim condensed consolidated statement of financial position in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to rectify the effect of an error as follows:

	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
<i>At 31 December 2012</i>			
Property and equipment	-	22,608,619	22,608,619
Investment properties	22,608,619	(22,608,619)	-
	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
<i>At 30 June 2012</i>			
Property and equipment	-	15,448,583	15,448,583
Investment properties	15,448,583	(15,448,583)	-

The above restatement had no impact on the interim condensed consolidated statement of income and the interim condensed consolidated statement of changes in equity of the group.