

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

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

30 JUNE 2014



Building a better
working world

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

Report on the Interim Condensed Consolidated Financial Information

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2014, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months period then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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 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 Company’s Memorandum of Incorporation and Articles of Association during the six months period ended 30 June 2014 that might have had a material effect on the business of the Company or on its financial position.

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

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

21 July 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014	(Restated)* 2013	2014	(Restated)* 2013
		KD	KD	KD	KD
INCOME:					
Income from investment properties		31,976	29,736	65,685	29,736
Net investment income	3	40,886	110,377	92,308	120,231
Share of results of associates		306,450	2,719,974	2,890,682	3,174,667
Foreign exchange (loss) gain		(2,164)	2,595	(7,518)	378,308
Other income		27,777	45,542	52,997	94,904
		<u>404,925</u>	<u>2,908,224</u>	<u>3,094,154</u>	<u>3,797,846</u>
EXPENSES:					
Staff costs		(256,498)	(209,593)	(438,459)	(315,017)
Administrative expenses		(58,182)	(82,467)	(110,138)	(141,575)
Net writeback of provisions	4	-	12,464,906	2,715	12,431,739
Finance costs		(95,747)	(92,460)	(195,071)	(187,299)
		<u>(410,427)</u>	<u>12,080,386</u>	<u>(740,953)</u>	<u>11,787,848</u>
(LOSS) PROFIT FOR THE PERIOD BEFORE PROVISION FOR TAXATION					
Taxation		1,020	(117,789)	-	(124,416)
		<u>(4,482)</u>	<u>14,870,821</u>	<u>2,353,201</u>	<u>15,461,278</u>
(LOSS) PROFIT FOR THE PERIOD					
Attributable to:					
Equity holders of the Company		16,164	14,878,285	2,391,075	15,481,995
Non-controlling interests		(20,646)	(7,464)	(37,874)	(20,717)
		<u>(4,482)</u>	<u>14,870,821</u>	<u>2,353,201</u>	<u>15,461,278</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	5	<u>0.03 fils</u>	<u>27.33 fils</u>	<u>4.39 fils</u>	<u>28.44 fils</u>

* Certain numbers shown here do not correspond to the 30 June 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 16.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2014

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(LOSS) PROFIT FOR THE PERIOD	(4,482)	14,870,821	2,353,201	15,461,278
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Other comprehensive income to be reclassified to consolidated statement of income in subsequent periods</i>				
- Financial assets available for sale:				
Net change in fair value	28,873	(73,305)	(12,692)	(39,168)
Transferred to consolidated statement of income on sale	(40,886)	(33,727)	(82,308)	(43,581)
	(12,013)	(107,032)	(95,000)	(82,749)
- Foreign currency translation adjustments	868	3,944	(1,596)	21,070
- Share of other comprehensive income of associates	(1,152)	(857)	(1,870)	7,824
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(12,297)	(103,945)	(98,466)	(53,855)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(16,779)	14,766,876	2,254,735	15,407,423
Attributable to:				
Equity holders of the Company	3,867	14,774,340	2,292,609	15,428,140
Non-controlling interests	(20,646)	(7,464)	(37,874)	(20,717)
	(16,779)	14,766,876	2,254,735	15,407,423

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2014

		30 June 2014 KD	(Audited) 31 December 2013 KD	(Restated)* 30 June 2013 KD
ASSETS				
Cash and cash equivalents		1,448,550	1,100,439	212,926
Accounts receivables and prepayments		10,433,710	13,481,522	11,161,150
Sokouk utilization rights		87,207	140,842	204,824
Financial assets available for sale		4,728,891	6,011,861	7,623,964
Investment in associates	6	55,495,677	53,053,932	49,369,862
Property and equipment	7	28,647,924	27,392,747	23,858,849
Investment properties	8	6,220,000	2,161,000	4,134,721
Non-current assets held for sale	9	1,711,733	1,711,733	1,711,733
TOTAL ASSETS		108,773,692	105,054,076	98,278,029
EQUITY AND LIABILITIES				
Equity				
Share capital	11	56,490,000	53,800,000	53,800,000
Statutory reserve		2,385,102	2,385,102	538,968
Voluntary reserve		2,385,102	2,385,102	538,968
Treasury shares		(1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates		(17,610)	(15,740)	(12,513)
Foreign currency translation adjustments		(60,576)	(58,980)	(37,488)
Cumulative changes in fair values		-	95,000	(22,703)
Retained earnings		16,839,761	17,138,686	18,083,780
Equity attributable to the shareholders of the Company		76,251,908	73,959,299	71,119,141
Non-controlling interests		1,120,089	657,963	431,468
Total equity		77,371,997	74,617,262	71,550,609
Liabilities				
Islamic finance payables	10	28,520,868	27,001,663	23,649,524
Accounts payable and accruals		2,671,745	3,284,240	2,944,428
Employees' end of service benefits		209,082	150,911	133,468
Total liabilities		31,401,695	30,436,814	26,727,420
TOTAL EQUITY AND LIABILITIES		108,773,692	105,054,076	98,278,029

* Certain numbers shown here do not correspond to the 30 June 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 16.

Mr. Ghanem Yousef Abdullah Al-Ghanem
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.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2014

Atributable to equity holders of the Company

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Effect of changes in other comprehensive income of associates KD	Foreign currency translation reserve KD	Cumulative changes in fair values KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2014	53,800,000	2,385,102	2,385,102	(1,769,871)	(15,740)	(58,980)	95,000	17,138,686	73,959,299	657,963	74,617,262
Profit (loss) for the period	-	-	-	-	-	-	-	2,391,075	2,391,075	(37,874)	2,353,201
Other comprehensive loss for the period	-	-	-	-	(1,870)	(1,596)	(95,000)	-	(98,466)	-	(98,466)
Total comprehensive (loss) income for the period	-	-	-	-	(1,870)	(1,596)	(95,000)	2,391,075	2,292,609	(37,874)	2,254,735
Non-controlling interest arising on increase on share capital of subsidiary (Note 12)	-	-	-	-	-	-	-	-	-	500,000	500,000
Bonus shares (Note 11)	2,690,000	-	-	-	-	-	-	(2,690,000)	-	-	-
At 30 June 2014	56,490,000	2,385,102	2,385,102	(1,769,871)	(17,610)	(60,576)	-	16,839,761	76,251,908	1,120,089	77,371,997
At 1 January 2013 (As previously reported)	53,800,000	538,968	538,968	(1,769,871)	(20,337)	(58,558)	60,046	4,259,509	57,348,725	452,185	57,800,910
Effect of restatement (Note 16)	-	-	-	-	-	-	-	(1,657,724)	(1,657,724)	-	(1,657,724)
At 1 January 2013 (restated)*	53,800,000	538,968	538,968	(1,769,871)	(20,337)	(58,558)	60,046	2,601,785	55,691,001	452,185	56,143,186
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	(1,769,871)	(12,513)	(37,488)	(22,703)	18,083,780	71,119,141	431,468	71,550,609

* Certain numbers shown here do not correspond to the 30 June 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 16.

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 KD	(Restated)* 2013 KD
OPERATING ACTIVITIES			
Profit for the period		2,353,201	15,461,278
Adjustments to reconcile profit for the period to net cash flow:			
Net investment income	3	(92,308)	(120,231)
Share of results of associates	6	(2,890,682)	(3,174,667)
Net writeback of provisions	4	(2,715)	(12,431,739)
Finance costs		195,071	187,299
Provision for employees' end of service benefits		58,171	16,190
		(379,262)	(61,870)
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		3,050,527	3,624,053
Sokouk utilization rights		53,635	-
Accounts payable and accruals		(112,495)	(632,045)
Net cash flows from operating activities		2,612,405	2,930,138
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		-	(289,186)
Proceeds from sale of financial assets available for sale		1,270,278	572,156
Dividend received from associates	6	445,471	-
Additions to property and equipment		(1,255,177)	(2,907,954)
Additions to investment properites		(4,059,000)	(4,134,721)
Dividend income received	3	10,000	76,650
Net cash flows used in investing activities		(3,588,428)	(6,683,055)
FINANCING ACTIVITIES			
Net movement in islamic finance payables		1,324,134	2,425,977
Net cash flows from financing activities		1,324,134	2,425,977
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		1,100,439	1,539,866
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,448,550	212,926

* Certain numbers shown here do not correspond to the 30 June 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 16.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C.P. (the Company) and its subsidiaries (collectively the "Group") for the six month period ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 21 July 2014.

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

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

The new Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), 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). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the Company has one year from the date of publishing the executive regulations to comply with the new amended law.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information for the six month ended 30 June 2014 has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2013.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2013, except for the adoption of the following new standards / amendments to IFRS effective as of 1 January 2014:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has no impact on the financial position or performance of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The adoption of the above mentioned amendment did not have any material impact on the financial position or performance of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised IASB Standards, but not yet effective

IFRS 15 – Revenue from Contracts with customers (“IFRS 15”)

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

3 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Realised gain on financial assets available for sale	40,886	33,727	82,308	43,581
Dividend income	-	76,650	10,000	76,650
	<u>40,886</u>	<u>110,377</u>	<u>92,308</u>	<u>120,231</u>

4 NET WRITEBACK OF PROVISIONS

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net provision write back against amounts due from related parties (Note 6)	-	12,464,906	-	12,464,906
Write back of provision (provision) on other accounts receivables	-	-	2,715	(33,167)
	<u>-</u>	<u>12,464,906</u>	<u>2,715</u>	<u>12,431,739</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit 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>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period attributable to equity holders of the Company	16,164	14,878,285	2,391,075	15,481,995
	<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	544,424,840	544,424,840	544,424,840	544,424,840
Basic and diluted earnings per share	0.03 fils	27.33 fils	4.39 fils	28.44 fils

Basic and diluted earnings per share for the three months and six months periods ended 30 June 2013 was 28.69 fils and 29.86 fils respectively, before retrospective adjustment to the number of shares following the bonus issue (Note 11).

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

6 INVESTMENT IN ASSOCIATES

	<i>30 June</i>	<i>(Audited)</i>	<i>(Restated)</i>
		<i>31 December</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Opening balance	53,053,932	12,241,171	12,241,171
Additions*	-	33,925,130	33,925,130
Share of results	2,890,682	6,883,455	3,174,667
Dividends	(445,471)	-	-
Foreign currency translation adjustment	(1,596)	(422)	21,070
Share of other comprehensive income of associate	(1,870)	4,598	7,824
Carrying value at the end of the period / year	55,495,677	53,053,932	49,369,862

*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 24.77% in the JV which equivalent to KD 33,925,130. Accordingly, the Company has written back provision of KD 12,464,906 on settlement of amounts due from associate in the interim condensed consolidated statement of income.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

7 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 2,484,588 (31 December 2013: KD 2,134,593 and 30 June 2013: KD 1,604,978) has been capitalised as additions to property and equipment.

Property and equipment of KD 28,647,924 (31 December 2013: KD 27,392,747 and 30 June 2013: KD 23,858,849) is mortgaged as collateral against Islamic financing payables of KD 18,504,587 (31 December 2013: KD 17,066,876 and 30 June 2013: KD 13,899,979) (Note 10).

8 INVESTMENT PROPERTIES

Investment properties comprise of residential building located in Kuwait.

During the current period, the Group has acquired two residential building in Kuwait for KD 4,059,000.

The fair value of investment property (excluding investment properties acquired during the current period) was determined as at 31 December 2013 by independent valuers who are specialised in valuing these types of properties. Management is of the view that no significant changes have occurred in fair values of these properties during the period ended 30 June 2014.

Investment properties is mortgaged as collateral against islamic finance payables of KD 3,039,325 (31 December 2013: KD 1,922,162 and 30 June 2013: KD 1,895,000) (Note 10).

9 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.

Group was unable to complete the sale of the joint ownership in land within a period of one year from the date of classification as non-current assets held for sale due to lack of demand. Joint owners are committed to a plan to sell the land in its present location and condition and are actively engaged in a programme to locate a buyer and complete the sale within one year from the reporting date at a reasonable price. Accordingly management has continued to classify the joint ownership in land as non-current asset held for sale.

10 ISLAMIC FINANCE PAYABLES

Islamic finance payables represent facility obtained from a local islamic financial institution and is secured by the property and equipment of KD 28,647,924 (31 December 2013: KD 27,392,747 and 30 June 2013: KD 23,858,849) (Note 7) and investment properties of KD 6,220,000 (31 December 2013: 2,161,000 and 30 June 2013: KD 4,134,721) (Note 8).

11 ANNUAL GENERAL ASSEMBLY

The annual general assembly of the shareholders of the Company held on 29 April 2014 approved the consolidated financial statements for the year ended 31 December 2013, and also approved the board of directors proposal for distribution 5% bonus shares for the year ended 31 December 2013.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

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:

	<i>Parent Company/Ultimate Parent Company KD</i>	<i>Associates KD</i>	<i>Others KD</i>	<i>30 June 2014 KD</i>	<i>30 June 2013 KD</i>
<i>Interim condensed consolidated statement of income:</i>					
Administrative expenses	-	-	-	-	2,960
Finance costs	195,071	-	-	195,071	187,299
Net provision write back against amounts due from related parties (Note 6)	-	-	-	-	12,464,906
Other income	-	-	-	-	17,865
				<i>(Audited)</i>	
				<i>31 December 2013 KD</i>	<i>30 June 2013 KD</i>
<i>Interim condensed consolidated statement of financial position:</i>					
Amounts due from related parties	-	1,808,047	2,387	1,810,434	3,065,625
Amounts due to related parties	115,586	-	470,553	586,139	987,033
Islamic finance payables	26,520,868	-	-	26,520,868	22,739,524
Cash in managed portfolio	-	-	-	-	6,846
Financial assets available for sale managed by related party	-	-	-	1,189,346	1,262,332
<i>Other transactions</i>					
Purchase of investment in an associate (Note 6)	-	-	-	33,925,130	33,925,130

Amounts due from/ due to related parties are receivables/ payables on demand and do not carry any profit.

Amounts due from related parties are stated net of provision for doubtful debts of KD 2,160,260 (31 December 2013: KD 2,162,919 and 30 June 2013: KD 1,220,510).

During the six month period ended 30 June 2014, a subsidiary of the Company has increased its share capital by KD 2,000,000 in kind against amounts due to the shareholders. The Group's participation in the share capital increase is KD 1,500,000, whereas participation of non-controlling interest (a related party) is KD 500,000. This has resulted in reduction in amounts due to related party and increase in non-controlling interest by KD 500,000.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

12 RELATED PARTY TRANSACTIONS (continued)

Key management compensation

	<i>Six months ended</i>	
	<i>30 June 2014 KD</i>	<i>30 June 2013 KD</i>
Salaries and other short term benefits	100,101	71,649
End of service benefits	20,684	8,208
	<u>120,785</u>	<u>79,857</u>

13 SEGMENT INFORMATION

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

- Investment: Managing direct investments and investments in subsidiaries and associates; and
- Real estate: Managing investment properties.

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

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

<i>Six months ended 30 June 2014</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	65,685	2,980,990	45,479	3,092,154
Segment expenses	(257,782)	(163,232)	(319,939)	(740,953)
Segment results	<u>(192,097)</u>	<u>2,819,758</u>	<u>(274,460)</u>	<u>2,353,201</u>
<i>Six months ended 30 June 2013</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	29,736	3,294,898	473,212	3,797,846
Segment expenses	(103,333)	(187,299)	11,954,064	11,663,432
Segment results	<u>(73,597)</u>	<u>3,107,599</u>	<u>12,427,276</u>	<u>15,461,278</u>

14 COMMITMENTS AND CONTINGENCIES

The Group had capital commitments towards construction contracts relating to property and equipment amounting to KD 596,517 (31 December 2013: KD 1,290,112 and 30 June 2013: KD 1,159,593).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

15 FAIR VALUES

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</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
30 June 2014			
Financial assets available for sale	-	4,728,891	4,728,891
31 December 2013 (Audited)			
Financial assets available for sale	1,189,346	4,822,515	6,011,861
30 June 2013			
Financial assets available for sale	1,267,681	6,356,283	7,623,964

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value.

	<i>At the beginning of the period/ year</i> <i>KD</i>	<i>Net losses recorded in the interim condensed consolidated statement of comprehensive income</i> <i>KD</i>	<i>Purchase</i> <i>KD</i>	<i>transfer, sales and settlements</i> <i>KD</i>	<i>At the end of the period/ year</i> <i>KD</i>
30 June 2014					
Financial assets available for sale	<u>4,822,515</u>	-	-	<u>(93,624)</u>	<u>4,728,891</u>
31 December 2013 (Audited)					
Financial assets available for sale	<u>6,675,914</u>	<u>(193,760)</u>	<u>289,186</u>	<u>(1,948,825)</u>	<u>4,822,515</u>
31 June 2013					
Financial assets available for sale	<u>6,675,914</u>	-	-	<u>(319,631)</u>	<u>6,356,283</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

16 COMPARATIVE INFORMATION

The comparative information presented in the interim condensed consolidated financial information has been restated as follows in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to rectify the effect of certain errors. These restatements were made during the year ended 31 December 2013 and are explained in the annual financial statements of the Group for the year end 31 December 2013.

	<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 2013</i>			
Property and equipment	25,516,573	(1,657,724)	23,858,849
Retained earnings	19,741,504	(1,657,724)	18,083,780
Investment in joint venture	1,838,087	(1,838,087)	-
Investment in associate	47,531,775	1,838,087	49,369,862
Accounts receivables and prepayments	5,519,750	5,641,400	11,161,150
Sokouk utilisation rights	5,846,224	(5,641,400)	204,824
<i>Interim condensed consolidated statement of income</i>			
<i>Six months ended 30 June 2013</i>			
Share of results of Joint Venture	(35,141)	35,141	-
Share of result of associate	3,209,808	(35,141)	3,174,667