

**SOKOUK HOLDING COMPANY - K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2011
(UNAUDITED)**

**WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

SOKOUK HOLDING COMPANY - K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
Sokouk Holding Company - K.S.C. (Holding)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company - K.S.C. (Holding) (the parent company) and subsidiaries (the group) as of September 30, 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine - months period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim 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 consolidated 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 consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.



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Emphasis of matter

We draw attention to Note 3 to the accompanying interim consolidated financial information which described the uncertainty relating to the amount due from the associate. Our conclusion is not qualified in respect of this matter.

Report on other Legal and Regulatory Requirements

Furthermore, the interim consolidated financial information is in agreement with the books of account. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the period ended September 30, 2011 that might have had a material effect on the business of the Group or on its financial position.

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Licence No. 72-A
Member of the International Group
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Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.


State of Kuwait
November 14, 2011

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF SEPTEMBER 30, 2011
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	September 30, 2011	December 31, 2010 (Audited)	September 30, 2010
Cash on hand and at banks		1,244,445	1,337,645	1,453,281
Mudaraba deposits		400,000	-	-
Accounts receivable and other debit balances		3,765,324	2,455,875	2,635,356
Sokouk utilization rights		5,511,474	5,504,484	7,284,200
Investments in Wakala		1,813,332	2,100,191	2,052,719
Due from related parties	3	25,922,998	27,375,429	42,841,126
Investments available for sale		8,386,171	9,081,204	9,900,522
Investment in associates	4	10,877,384	12,316,056	15,183,099
Investment property under development		15,685,718	13,702,313	16,585,129
Investment in joint venture		1,771,009	1,886,878	1,922,798
Property and equipment		8,052	1,445	2,112
Goodwill		-	-	1,312,029
Total assets		75,385,907	75,761,520	101,172,371
<u>LIABILITIES AND EQUITY</u>				
Liabilities:				
Due to financial institution	5	4,544,135	-	-
Accounts payable and other credit balances		990,902	2,459,264	2,471,339
Due to related parties	3	514,511	505,336	3,206,409
Murabaha payables		6,946,814	7,442,189	7,666,372
Provision for end of service indemnity		93,724	98,529	95,724
Total liabilities		13,090,086	10,505,318	13,439,844
Equity:				
Capital		100,000,000	100,000,000	100,000,000
Share premium		17,500,000	17,500,000	17,500,000
Statutory reserve		2,229,106	2,229,106	2,229,106
Voluntary reserve		2,229,106	2,229,106	2,229,106
Foreign currency translation adjustments		(90,171)	(55,911)	(6,916)
Cumulative changes in fair value		(174,024)	126,930	131,438
Effect of changes on other comprehensive income from associates		(616,145)	(513,123)	(253,113)
Accumulated losses		(59,939,601)	(57,407,995)	(35,233,083)
Equity attributable to equity holders of the Parent Company		61,138,271	64,108,113	86,596,538
Non-controlling interests		1,157,550	1,148,089	1,135,989
Total equity		62,295,821	65,256,202	87,732,527
Total liabilities and equity		75,385,907	75,761,520	101,172,371

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information


Feras Fahad Al Bahar
Chairman and Chief Executive Officer


Jassem Mohamed Al Duwaikh
Vice Chairman

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE NINE – MONTH PERIOD ENDED SEPTEMBER 30, 2011
 (All amounts are in Kuwaiti Dinars)

	Note	Three month period ended September 30,		Nine month period ended September 30,	
		2011	2010	2011	2010
Other operating income		72,733	93,099	379,088	357,614
Expenses and charges:					
General and administrative		(233,949)	(340,718)	(590,708)	(765,255)
Depreciation and amortization		(400)	(941)	(2,266)	(4,871)
		<u>(234,349)</u>	<u>(341,659)</u>	<u>(592,974)</u>	<u>(770,126)</u>
Operating loss		(161,616)	(248,560)	(213,886)	(412,512)
Net investment income (loss)		211,684	-	(310,344)	23,296
Gain from investments in Wakala		-	30,429	257	92,539
Group's share of results from associates	4	(503,878)	(63,116)	(935,650)	(2,304,415)
Group's share of results from joint venture		(27,124)	(6,582)	(81,610)	(689,812)
Loss from sale of property and equipment		-	-	-	(15,158)
Finance charges		(105,537)	(173,305)	(348,352)	(447,063)
Foreign currency exchange gain (loss)		157,552	(933,110)	(632,560)	(144,852)
Net loss for the period		<u>(428,919)</u>	<u>(1,394,244)</u>	<u>(2,522,145)</u>	<u>(3,897,977)</u>
Attributable to :					
Parent Company's shareholders		(432,470)	(1,407,333)	(2,531,606)	(3,937,771)
Non-controlling interests		3,551	13,089	9,461	39,794
Net loss for the period		<u>(428,919)</u>	<u>(1,394,244)</u>	<u>(2,522,145)</u>	<u>(3,897,977)</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Loss per share attributable to equity holders of the Parent Company	6	<u>(0.43)</u>	<u>(1.41)</u>	<u>(2.53)</u>	<u>(3.94)</u>

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE - MONTH PERIOD ENDED SEPTEMBER 30, 2011
 (All amounts are in Kuwaiti Dinars)

	Note	Three month period ended September 30,		Nine month period ended September 30	
		2011	2010	2011	2010
Net loss for the period		<u>(428,919)</u>	<u>(1,394,244)</u>	<u>(2,522,145)</u>	<u>(3,897,977)</u>
Other comprehensive (loss) income:					
Exchange differences on translating foreign operations		6,850	(41,399)	(34,260)	2,221
Change in fair value of investments available for sale		(426,185)	69,428	(300,954)	(64,600)
Share of other comprehensive income from associates	4	<u>(28,119)</u>	<u>5,312</u>	<u>(103,022)</u>	<u>7,484</u>
Other comprehensive (loss) income for the period		<u>(447,454)</u>	<u>33,341</u>	<u>(438,236)</u>	<u>(54,895)</u>
Total comprehensive loss for the period		<u>(876,373)</u>	<u>(1,360,903)</u>	<u>(2,960,381)</u>	<u>(3,952,872)</u>
Attributable to :					
Equity holders of the parent company		(879,924)	(1,373,992)	(2,969,842)	(3,992,666)
Non-controlling interests		<u>3,551</u>	<u>13,089</u>	<u>9,461</u>	<u>39,794</u>
Total comprehensive loss for the period		<u>(876,373)</u>	<u>(1,360,903)</u>	<u>(2,960,381)</u>	<u>(3,952,872)</u>

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE – MONTH PERIOD ENDED SEPTEMBER 30, 2011
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to equity of the Parent Company					Effect of changes in other			Non - controlling interests	Total equity	
	Capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Cumulative changes in fair value	comprehensive income from associate	Accumulated losses			Sub total
Balance at December 31, 2010	100,000,000	17,500,000	2,229,106	2,229,106	(55,911)	126,930	(513,123)	(57,407,995)	64,108,113	1,148,089	65,256,202
Total comprehensive (loss) income for the period											
Balance at September 30, 2011	100,000,000	17,500,000	2,229,106	2,229,106	(90,171)	(300,954)	(103,022)	(59,939,601)	61,138,271	1,157,550	62,295,821
Balance at December 31, 2009	100,000,000	17,500,000	2,229,106	2,229,106	(9,137)	196,038	(260,597)	(31,295,312)	90,589,204	1,096,195	91,685,399
Total comprehensive income (loss) for the period											
Balance at September 30, 2010	100,000,000	17,500,000	2,229,106	2,229,106	(6,916)	131,438	(253,113)	(35,233,063)	86,596,538	1,135,989	87,732,527

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE – MONTH PERIOD ENDED SEPTEMBER 30, 2011
(All amounts are in Kuwaiti Dinars)

	Nine – month period ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net loss for the period	(2,522,145)	(3,897,977)
Adjustments for:		
Depreciation and amortization	2,266	4,871
Net investment loss (income)	310,344	(23,296)
Gain from investments in Wakala	(257)	(92,539)
Group's share of result from associates	935,650	2,304,415
Group's share of result from joint venture	81,610	689,812
Loss from sale of property and equipment	-	15,158
Finance charges	348,352	447,063
Provision for end of service indemnity	20,576	26,646
	<u>(823,604)</u>	<u>(525,847)</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	390,521	1,110,037
Due from related parties	1,452,431	716,394
Accounts payable and other credit balances	1,368,812	(2,585,802)
Due to related parties	9,176	88,206
Cash generated from (used in) operations	<u>2,397,336</u>	<u>(1,197,012)</u>
Contribution to Zakat paid	-	(8,377)
End of service indemnity paid	<u>(25,381)</u>	<u>(11,535)</u>
Net cash generated from (used in) operating activities	<u>2,371,955</u>	<u>(1,216,924)</u>
Cash flows from investing activities:		
Paid for Mudaraba deposits	(400,000)	-
Net paid for investments in Wakala	287,116	(88,432)
Paid for purchase of investments available for sale	(1,294,838)	-
Proceeds from sale of investments available for sale	1,358,445	-
Dividend received	420,128	143,296
Paid for investment property under development	(1,983,405)	(131,690)
Paid for property and equipment	(8,873)	-
Proceeds from sale of property and equipment	-	9,171
Net cash used in investing activities	<u>(1,621,427)</u>	<u>(67,655)</u>
Cash flows from financing activities:		
Net movement of Murabaha payables	(843,728)	1,368,521
Net cash (used in) generated from financing activities	<u>(843,728)</u>	<u>1,368,521</u>
Net (decrease) increase in cash on hand and at banks	(93,200)	83,942
Cash on hand and at banks at the beginning of the period	<u>1,337,645</u>	<u>1,369,339</u>
Cash on hand and at banks at the end of the period	<u>1,244,445</u>	<u>1,453,281</u>

The accompanying notes (1) to (8) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2011

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Sokouk Holding Company – K.S.C (Holding) “the parent company”, (previously known as Sokouk Real Estate Development Company – K.S.C (Closed) and prior before as Al-Wasta Real Estate Development Company – K.S.C (Closed)), is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under Ref. No. 1909/Volume 1 on August 23, 1998 and registered on commercial register under Ref. No. 74323 dated August 29, 1998.

The parent company's registered address is at P.O. Box 29110 Safat – Postal code 13152 - State of Kuwait.

The interim consolidated financial information were authorized for issue by the Board of Directors on November 14, 2011.

2. Basis of presentation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2010.

The interim consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with 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 period ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2010.

3. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates, joint ventures and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u> <u>(Audited)</u>	<u>September 30,</u> <u>2010</u>
Interim condensed consolidated statement of financial position			
<u>Due from related parties:</u>			
Due from associates	38,127,975	39,756,740	43,907,825
Due from joint ventures	644,407	470,460	591,447
Due from companies under common control	475,234	475,234	152,654
Due from other related parties	2,387	-	-
Provision for doubtful debts	(13,327,005)	(13,327,005)	(1,810,800)
Total due from related parties	<u>25,922,998</u>	<u>27,375,429</u>	<u>42,841,126</u>
Cash with portfolio manager	45,302	1,559	-
Investments available for sale managed by related parties	1,253,040	1,921,609	1,926,621
Investments in Wakala	1,813,332	2,100,191	2,052,719

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2011
(All amounts are in Kuwaiti Dinars)

	September 30, 2011	December 31, 2010 (Audited)	September 30, 2010
Interim condensed consolidated statement of financial position			
Due to related parties:			
Due to principal shareholders	514,511	505,336	376,095
Due to companies under common control	-	-	2,830,314
Total due to related parties	<u>514,511</u>	<u>505,336</u>	<u>3,206,409</u>
Cash due to portfolio manager	-	-	945
Due to financial institution	4,544,135	-	-
Murabaha payables	6,946,814	7,442,189	7,666,372

Due from / to related parties mainly result from purchase and sale of Sokouk utilization rights and investments.

Due from related parties includes an amount of USD 158,284,538 including a deferred revenue of USD 25,008,826 receivable from Munshaat Real Estate Projects Company – K.S.C. (Closed), payable in five equal annual installments starting from January 1, 2010 up to January 1, 2014. During the period ended September 30, 2011 no installments have been paid. The management is currently having serious discussions with its associate Munshaat Real Estate Projects Company – K.S.C (Closed) to settle amount due from the associate.

There is an inherent uncertainty relating to going concern for amount due from Munshaat Real Estate Projects Company – K.S.C. (Closed) (Note 4). The total amount of the provision relating to due from Munshaat Real Estate Projects Company K.S.C. (Closed) as at September 30, 2011 is KD 13,327,005.

	Three - month period ended September 30,		Nine - month period ended September 30,	
	2011	2010	2011	2010
Interim condensed consolidated statement of income:				
Other operating income	7,725	69,524	23,176	215,189
General and administrative expenses	-	(19,402)	(15,309)	(50,220)
Gain from investments in Wakala	-	30,429	257	92,539
Finance charges	(105,537)	(173,305)	(348,352)	(447,063)
Foreign currency exchange gain (loss)	154,298	(922,643)	(625,326)	(186,105)
	Three - month period ended September 30,		Nine - month period ended September 30,	
	2011	2010	2011	2010
Key management compensation:				
Short term benefits	50,378	59,001	143,469	177,004
Termination benefits	4,849	5,138	12,950	15,383
	<u>55,227</u>	<u>64,139</u>	<u>156,419</u>	<u>192,387</u>

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2011
 (All amounts are in Kuwaiti Dinars)

4. Investment in associates

The investment in associates consists of the following:

Name of the associate	Country of Incorporation	Percentage of holding %			September 30, 2011	December 31, 2010 (Audited)	September 30, 2010
		September 30, 2011	December 31, 2010 (Audited)	September 30, 2010			
Munshaat Real Estate Projects Co. – K.S.C. (Closed)	Kuwait	27.67	27.67	27.67	9,732,381	10,932,044	13,835,599
Mas Holding Company – K.S.C.	Kuwait	40	40	40	1,145,003	1,384,012	1,347,500
					<u>10,877,384</u>	<u>12,316,056</u>	<u>15,183,099</u>

The movement during the period / year is as follows:

	September 30, 2011	December 31, 2010 (Audited)	September 30, 2010
Balance at the beginning of the period / year	12,316,056	17,600,030	17,600,030
Group's share of results from associates	(935,650)	(4,917,448)	(2,115,494)
Change in associates equity from prior year restatements	-	(195,669)	(188,921)
Share of other comprehensive income from associates	(103,022)	(56,857)	7,484
Dividend received from an associate	(400,000)	(114,000)	(120,000)
Balance at the end of the period / year	<u>10,877,384</u>	<u>12,316,056</u>	<u>15,183,099</u>

The auditors' report on review of interim consolidated financial information of Munshaat Real Estate Projects Company - K.S.C. (Closed) for the Nine – month period ended September 30, 2011 included an emphasis of matter relating to inherent uncertainty regarding continuation of going concern as follows:

"The interim consolidated financial information which indicates that the associate incurred a loss of KD 3,847,527 during the nine months period ended September 30, 2011 and, as at that date has accumulated losses of KD 21,196,790 and its current liabilities exceeded its current assets by KD 122,342,508. Furthermore, the associate is actively engaged with its lenders to restructure its entire debt obligations due to the default on the repayment of certain debt obligations and has also agreed with the Parent Company, whose debt has been defaulted, not to pursue the collection of its outstanding dues until the associate completes restructuring and rescheduling process. These conditions indicate the existence of material uncertainty that may cast significant doubt about the associate's ability to continue as a going concern".

5. Due to financial institution

During the period the group obtained the first and second installments of a new finance from a local Islamic Financial Institution (related party). The finance facility carry an annual finance cost of 7.4% and is secured by the investment property under development.

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2011
 (All amounts are in Kuwaiti Dinars)

6. Loss per share attributable to equity holders of the Parent Company

There are no potential dilutive ordinary shares. The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding during the period is as follows:

	Three – month period ended September 30,		Nine – month period ended September 30,	
	2011	2010	2011	2010
Loss for the period attributable to equity holders of the Parent Company	<u>(432,470)</u>	<u>(1,407,333)</u>	<u>(2,531,606)</u>	<u>(3,937,771)</u>
	Shares	Shares	Shares	Shares
<u>Number of shares outstanding:</u>				
Number of issued shares at the beginning of the period	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Weighted average number of shares outstanding	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	Fils	Fils	Fils	Fils
Loss per share attributable to equity holders of the parent company	<u>(0.43)</u>	<u>(1.41)</u>	<u>(2.53)</u>	<u>(3.94)</u>

7. Capital commitments and contingent liabilities

The Group has capital commitments with respect to future capital expenditure related to the construction of a hotel in a joint venture and contingent liabilities regarding letters of credit for an associate as follows:

	September 30, 2011	December 31, 2010 (Audited)	September 30, 2010
Capital commitments	<u>7,262,846</u>	<u>3,470,320</u>	<u>3,285,298</u>
Contingent liabilities	<u>6,251</u>	<u>7,181</u>	<u>-</u>
	<u>7,269,097</u>	<u>3,477,501</u>	<u>3,285,298</u>

8. General Assembly

The shareholders' General Assembly held on July 28, 2011 approved non-distribution of cash dividends or bonus shares for the year ended December 31, 2010.

The shareholders' General Assembly held on May 17, 2010 approved non-distribution of cash dividends or bonus shares for the year ended December 31, 2009.