

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

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

30 SEPTEMBER 2013



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. (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 September 2013 and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three months and nine 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 nine 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 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 Articles of Association and Memorandum of Incorporation during the nine months period ended 30 September 2013 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 November 2013

Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2013

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2013	2012	2013	2012
		KD	KD	KD	KD
Income:					
Net investment income	3	115,181	137,193	235,412	167,469
Share of results of associates		1,231,823	495,861	4,441,631	409,278
Share of results of joint venture		23,591	(37,413)	(11,550)	(112,057)
Foreign exchange (loss) gain		(14,176)	135,475	364,132	365,446
Other income		51,822	67,585	176,462	179,869
		<u>1,408,241</u>	<u>798,701</u>	<u>5,206,087</u>	<u>1,010,005</u>
Expenses:					
Administrative expenses		(182,276)	(218,157)	(623,868)	(562,280)
Provision for doubtful debts		-	-	(33,167)	-
Reversal of provision against amounts due from related parties	5 & 12	-	-	12,464,906	-
Provision for wakala receivables no longer required		-	1,829,055	-	1,829,055
Finance costs		(105,915)	(100,046)	(293,214)	(263,407)
		<u>(288,191)</u>	<u>1,510,852</u>	<u>11,514,657</u>	<u>1,003,368</u>
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND BOARD OF DIRECTORS' REMUNERATION					
KFAS		1,120,050	2,309,553	16,720,744	2,013,373
Board of directors' remuneration		(221)	(18,260)	(124,637)	(18,260)
		-	-	(15,000)	-
PROFIT FOR THE PERIOD		<u>1,119,829</u>	<u>2,291,293</u>	<u>16,581,107</u>	<u>1,995,113</u>
Attributable to:					
Equity holders of the Company		1,125,284	2,296,712	16,607,279	2,010,625
Non-controlling interests		(5,455)	(5,419)	(26,172)	(15,512)
		<u>1,119,829</u>	<u>2,291,293</u>	<u>16,581,107</u>	<u>1,995,113</u>
Basic and diluted earnings per share attributable to equity holders of the Company					
	4	<u>2.17 fils</u>	<u>4.27 fils</u>	<u>32.02 fils</u>	<u>3.74 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 September 2013

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2013</i> <i>KD</i>	<i>2012</i> <i>KD</i>	<i>2013</i> <i>KD</i>	<i>2012</i> <i>KD</i>
PROFIT FOR THE PERIOD	1,119,829	2,291,293	16,581,107	1,995,113
Other comprehensive income (loss)				
<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	150,045	(26,914)	67,296	113,037
Foreign currency translation adjustments	(17,306)	4,978	3,764	14,335
Share of other comprehensive income of associate	(25,397)	14,138	(17,573)	18,120
Other comprehensive income (loss) for the period	107,342	(7,798)	53,487	145,492
Total comprehensive income for the period	1,227,171	2,283,495	16,634,594	2,140,605
Attributable to:				
Equity holders of the Company	1,232,626	2,288,914	16,660,766	2,156,117
Non-controlling interests	(5,455)	(5,419)	(26,172)	(15,512)
	1,227,171	2,283,495	16,634,594	2,140,605

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 September 2013

		(Audited) (Restated)	(Restated)
	30 September 2013	31 December 2012	30 September 2012
	KD	KD	KD
ASSETS			
Cash and bank balances	766,950	1,539,866	2,318,757
Accounts receivables and prepayments	2,388,242	6,078,178	4,730,788
Sokouk utilization rights	5,846,224	5,828,060	5,399,066
Amounts due from related parties	3,076,780	24,104,771	26,746,604
Financial assets available for sale	6,353,283	8,275,159	8,357,532
Investment in associates	48,738,202	10,389,013	7,537,623
Investment in joint venture	1,844,372	1,852,158	1,631,857
Property and equipment	24,778,309	20,950,895	14,553,834
Investment properties	4,147,234	-	-
Non-current assets held for sale	1,711,733	1,711,733	-
TOTAL ASSETS	99,651,329	80,729,833	71,276,061
EQUITY AND LIABILITIES			
Equity			
Share capital	53,800,000	53,800,000	53,800,000
Statutory reserve	538,968	538,968	-
Voluntary reserve	538,968	538,968	-
Effect of changes in other comprehensive income of associates	(37,910)	(20,337)	(542,210)
Foreign currency translation adjustments	(54,794)	(58,558)	(57,777)
Cumulative changes in fair values	127,342	60,046	(216,682)
Treasury shares	(1,769,871)	(1,769,871)	-
Retained earnings	19,209,064	2,601,785	352,901
Equity attributable to the shareholders of the Company	72,351,767	55,691,001	53,336,232
Non-controlling interests	426,013	452,185	536,769
Total equity	72,777,780	56,143,186	53,873,001
Liabilities			
Due to financial institution	16,044,242	13,436,301	9,801,460
Murabaha payables	7,946,879	7,787,246	6,029,855
Accounts payable and accruals	1,754,616	1,925,267	1,014,031
Amounts due to related parties	986,139	1,320,555	450,000
Employees' end of service benefits	141,673	117,278	107,714
Total liabilities	26,873,549	24,586,647	17,403,060
TOTAL EQUITY AND LIABILITIES	99,651,329	80,729,833	71,276,061

* Certain comparative numbers presented do not correspond to the amounts disclosed in the interim condensed consolidated financial information for the period ended 30 September 2012 and 31 December 2012 due to restatement (Note 16).

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.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 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 (As previously reported)	53,800,000	-	538,968	538,968	(20,337)	(58,558)	60,046	(1,769,871)	4,259,509 (1,657,724)	57,348,725 (1,657,724)	452,185	57,800,910 (1,657,724)
Effect of restatement (Note 16)	-	-	-	-	-	-	-	-	-	-	-	-
At 1 January 2013 (restated)	53,800,000	-	538,968	538,968	(20,337)	(58,558)	60,046	(1,769,871)	2,601,785	55,691,001	452,185	56,143,186
Profit (loss) for the period	-	-	-	-	-	-	-	-	16,607,279	16,607,279	(26,172)	16,581,107
Other comprehensive income (loss) for the period	-	-	-	-	(17,573)	3,764	67,296	-	-	53,487	-	53,487
Total comprehensive income (loss) for the period	-	-	-	-	(17,573)	3,764	67,296	-	16,607,279	16,660,766	(26,172)	16,634,594
At 30 September 2013	53,800,000	-	538,968	538,968	(37,910)	(54,794)	127,342	(1,769,871)	19,209,064	72,351,767	426,013	72,777,780
At 1 January 2012 (As previously reported)	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
Effect of restatement (Note 16)	-	-	-	-	-	-	-	-	(1,657,724)	(1,657,724)	-	(1,657,724)
At 1 January 2012 (restated)	100,000,000	17,500,000	2,229,106	2,229,106	(560,330)	(72,112)	(329,719)	-	(69,815,936)	51,180,115	552,281	51,732,396
Profit for the period	-	-	-	-	-	-	-	-	2,010,625	2,010,625	(15,512)	1,995,113
Other comprehensive income for the period	-	-	-	-	18,120	14,335	113,037	-	-	145,492	-	145,492
Total comprehensive income (loss) for the period	-	-	-	-	18,120	14,335	113,037	-	2,010,625	2,156,117	(15,512)	2,140,605
Extinguishment of accumulated losses	(46,200,000)	(17,500,000)	(2,229,106)	(2,229,106)	-	-	-	-	68,158,212	-	-	-
At 30 September 2012	53,000,000	-	-	-	(542,210)	(57,777)	(216,682)	-	352,901	53,336,232	536,769	53,873,001

* Certain comparative numbers presented do not correspond to the amounts disclosed in the interim condensed consolidated financial information for the period ended 30 September 2012 and 31 December 2012 due to restatement (Note 16).

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 September 2013

	Notes	Nine months ended 30 September	
		2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the period		16,581,107	1,995,113
Adjustment for:			
Net investment income		(235,412)	(167,469)
Share of results of associates		(4,441,631)	(409,278)
Share of results of joint venture		11,550	112,057
Reversal of provision against amounts due from related party	5	(12,464,906)	-
Provision for wakala receivables no longer required		-	(1,829,055)
Depreciation		119	558
Provision for doubtful debts		33,167	-
Finance costs		293,214	263,407
Provision for employees' end of service benefits		24,395	21,357
		(198,397)	(13,310)
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		4,762,765	1,249,088
Amounts due from related parties		-	(216,236)
Accounts payable and accruals		(463,865)	1,471,570
Amounts due to related parties		(766,650)	(64,870)
Cash flow from operations		3,333,853	2,426,242
Employees' end of service benefits paid		-	(4,903)
Net cash flows from operating activities		3,333,853	2,421,339
INVESTING ACTIVITIES			
Proceeds from murabaha deposits		-	350,000
Proceeds from investments in wakala		-	1,829,055
Purchase of financial assets available for sale		(289,186)	(721,447)
Proceeds from sale of financial assets available for sale		1,311,960	808,921
Dividend income received		77,650	58,838
Additions to property and equipment		(3,827,533)	(2,568,881)
Purchase of investment property	7	(4,147,234)	-
Net cash flows used in investing activities		(6,874,343)	(243,514)
FINANCING ACTIVITIES			
Net movement in murabaha payable		159,633	(807,707)
Net movement in due to financial institution		2,607,941	-
Net cash flows from (used in) financing activities		2,767,574	(807,707)
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES		(772,916)	1,370,118
Cash and bank balances at the beginning of the period		1,539,866	948,639
CASH AND BANK BALANCES AT THE END OF THE PERIOD		766,950	2,318,757

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 September 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 nine month period ended 30 September 2013 were authorised for issue in accordance with a resolution of the directors on 21 November 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 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 nine month ended 30 September 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 have to be presented separately from items that will never be reclassified. 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 nine month ended 30 September 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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 on financial assets available for sale	114,181	125,293	157,762	108,631
Dividend income	1,000	11,900	77,650	58,838
	<u>115,181</u>	<u>137,193</u>	<u>235,412</u>	<u>167,469</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2013

4 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</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 for the period attributable to equity holders of the Company	1,125,284	2,296,712	16,607,279	2,010,625
	<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	518,499,848	538,000,000	518,499,848	538,000,000
Basic and diluted earnings per share	2.17 fils	4.27 fils	32.02 fils	3.74 fils

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

5 INVESTMENT IN ASSOCIATES

On 30 September 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 September 2013 are as follows:

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

As at 30 September 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 1,840,660 (31 December 2012: KD 1,141,300 and 30 September 2012: KD 905,618) has been capitalised as additions to property and equipment.

Property and equipment of KD 24,778,309 (31 December 2012: KD 20,950,895 (*restated*) and 30 September 2012: KD 14,553,514 (*restated*)) is mortgaged as collateral against amounts due to financial institution of KD 14,135,661 (31 December 2012: KD 13,436,301 and 30 September 2012: KD 9,801,460) (Note 10).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 1,908,581 (31 December 2012: Nil and 30 September 2012: 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 September 2013 KD</i>	<i>(Audited) 31 December 2012 KD</i>	<i>30 September 2012 KD</i>
Number of shares	<u>19,500,152</u>	<u>19,500,152</u>	<u>-</u>
Percentage of issued shares (%)	<u>3.6%</u>	<u>3.6%</u>	<u>-</u>
Market value (KD)	<u><u>2,184,017</u></u>	<u><u>1,794,000</u></u>	<u><u>-</u></u>

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).

As at 30 September 2013, the Group has defaulted on repayment of due to financial institution of KD 1,320,000 (31 December 2012: KD 1,320,000 and 30 September 2012: Nil).

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.

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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:

	<i>Parent Company/Ultimate Parent Company</i>				<i>Joint venture</i>	<i>Others</i>	<i>30 September 2013</i>	<i>30 September 2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of income:</i>								
Finance costs	293,214	-	-	-	-	293,214	263,407	
Reversal of provision against of amounts due from related party (Note 5)	-	12,464,906	-	-	-	12,464,906	-	
Other income	17,865	-	-	-	-	17,865	-	

	<i>Parent Company/Ultimate Parent Company</i>		<i>Joint Venture</i>	<i>Others</i>	<i>30 September 2013</i>	<i>(Audited) 31 December 2012</i>	<i>30 September 2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Interim condensed consolidated statement of financial position:</i>							
Amounts due from related parties	-	1,504,147	1,572,633	3,076,780	24,104,771	26,746,604	
Amounts due to related parties	115,586	-	870,553	986,139	1,320,555	450,000	
Due to financial institution	15,134,242	-	-	15,134,242	13,436,301	9,801,460	
Murabaha payables	7,946,879	-	-	7,946,879	7,787,246	6,029,855	
Cash in managed portfolio	-	-	461	461	61,220	152,817	
Financial assets available for sale managed by related party	-	-	1,327,455	1,327,455	1,588,600	2,041,393	
<i>Other transactions</i>							
Acquisition of investment in an associate (Note 5)	-	33,925,130	-	33,925,130	-	-	

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12 RELATED PARTY TRANSACTIONS (continued)

During the current period, 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 319,631. 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 September 2012: KD 14,108,616).

Key management compensation

	<i>Nine months ended</i>	
	<i>30 September 2013</i>	<i>30 September 2012</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	156,318	98,286
End of service benefits	13,158	9,957
	<u>169,476</u>	<u>108,243</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 nine months ended 30</i>						
Segment revenue (loss)*	4,981,554	1,122,062	224,533	(112,057)	5,206,087	1,010,005
Segment expenses	(1,089,886)	985,108	-	-	(1,089,886)	985,108
Segment results	<u>3,891,668</u>	<u>2,107,170</u>	<u>224,533</u>	<u>(112,057)</u>	<u>4,116,201</u>	<u>1,995,113</u>

*Segment expenses 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>30 September 2013</i>	<i>(Audited) 31 December 2012</i>	<i>30 September 2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Capital commitments	<u>616,916</u>	<u>2,456,712</u>	<u>3,858,754</u>

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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</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
30 September 2013				
Financial assets available for sale	1,337,008	-	5,016,275	6,353,283
31 December 2012 (Audited)				
Financial assets available for sale	1,599,245	-	6,675,914	8,275,159
30 September 2012				
Financial assets available for sale	1,415,169	-	6,942,363	8,357,532

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 gains (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 September 2013					
<i>Financial assets available for sale:</i>					
Unquoted	6,675,914	901	289,186	(1,949,726)	5,016,275
31 December 2012					
<i>Financial assets available for sale:</i>					
Unquoted	6,942,363	(443,147)	721,447	(544,749)	6,675,914
30 September 2012					
<i>Financial assets available for sale:</i>					
Unquoted	6,942,363	-	-	-	6,942,363

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16 RESTATEMENT OF COMPARATIVE INFORMATION

The comparative information presented in the interim condensed consolidated statement of financial position and the interim condensed consolidated changes in equity, and notes to interim condensed consolidated financial information have been restated in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to rectify the effect of following errors.

1) 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 and restated the comparative information as at 31 December 2012 and 30 September 2012 presented in the interim condensed consolidated statement of financial position 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>			
At 31 December 2012			
Property and equipment	-	22,608,619	22,608,619
Investment properties	22,608,619	(22,608,619)	-
At 30 September 2012			
Property and equipment	-	16,211,558	16,211,558
Investment properties	16,211,558	(16,211,558)	-

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.

2) In prior years, the Group has capitalized certain cost amounting to KD 1,657,724 to a hotel project in Kuwait which did not meet the capitalization criteria under International Accounting Standards. This resulted in overstatement of Property and Equipment and retained earnings. The comparative information has been restated during the current period to rectify the effect of this error.

	<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>			
At 1 January 2012			
Property and equipment	22,608,619	(1,657,724)	20,950,895
Retained earnings	4,259,509	(1,657,724)	2,601,785
At 30 September 2012			
Property and equipment	16,211,558	(1,657,724)	14,553,834
Retained earnings	2,010,625	(1,657,724)	352,901