

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

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

31 MARCH 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 31 March 2014, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the 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 three months period ended 31 March 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

7 May 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2014

| | Notes | Three months ended 31 March | |
|--|-------|--------------------------------|---------------------------|
| | | 2014 KD | (Restated)* 2013 KD |
| INCOME | | | |
| Income from investment properties | | 33,709 | - |
| Net investment income | 3 | 51,422 | 9,854 |
| Share of results of associates | | 2,584,232 | 454,693 |
| Foreign exchange (loss) gain | | (5,354) | 375,713 |
| Other income | | 25,220 | 49,362 |
| | | <u>2,689,229</u> | <u>889,622</u> |
| EXPENSES | | | |
| Staff costs | | 181,961 | 105,424 |
| Administrative expenses | | 51,956 | 59,108 |
| (Reversal of) provision on other accounts receivables | | (2,715) | 33,167 |
| Finance costs | | 99,324 | 94,839 |
| | | <u>330,526</u> | <u>292,538</u> |
| PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND PROVISIONS FOR ZAKAT AND NATIONAL LABOUR SUPPORT TAX ("NLST") | | | |
| | | 2,358,703 | 597,084 |
| KFAS | | - | (903) |
| Zakat | | (368) | (1,547) |
| NLST | | (652) | (4,177) |
| PROFIT FOR THE PERIOD | | <u>2,357,683</u> | <u>590,457</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 2,374,911 | 603,710 |
| Non-controlling interests | | (17,228) | (13,253) |
| | | <u>2,357,683</u> | <u>590,457</u> |
| Basic and diluted earnings per share attributable to equity holders of the Company | 4 | <u>4.58 fils</u> | <u>1.16 fils</u> |

* Certain numbers shown here do not correspond to the 31 March 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 14.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2014

| | <i>Three months ended</i> | |
|---|---------------------------|----------------|
| | <i>31 March</i> | |
| | <i>2014</i> | <i>2013</i> |
| | <i>KD</i> | <i>KD</i> |
| PROFIT FOR THE PERIOD | 2,357,683 | 590,457 |
| OTHER COMPREHENSIVE (LOSS) INCOME | | |
| <i>Other comprehensive income to be reclassified to statement of income in subsequent periods</i> | | |
| - Financial assets available for sale: | | |
| Net change in fair value | (4,151) | 24,283 |
| Transferred to consolidated statement of income on sale | (78,836) | - |
| | (82,987) | 24,283 |
| - Foreign currency translation adjustments | (2,464) | 17,126 |
| - Share of other comprehensive income of associates | (718) | 8,681 |
| | (86,169) | 50,090 |
| OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD | | |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 2,271,514 | 640,547 |
| Attributable to: | | |
| Equity holders of the Company | 2,288,742 | 653,800 |
| Non-controlling interests | (17,228) | (13,253) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 2,271,514 | 640,547 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2014

| | | (Audited) | (Restated)* |
|---|--------------------|--------------------|-------------------|
| | 31 March | 31 December | 31 March |
| | 2014 | 2013 | 2013 |
| | KD | KD | KD |
| ASSETS | | | |
| Cash and cash equivalents | 2,756,060 | 1,100,439 | 1,354,307 |
| Accounts receivables and prepayments | 11,842,464 | 13,481,522 | 35,487,260 |
| Sokouk utilization rights | 115,426 | 140,842 | 193,849 |
| Financial assets available for sale | 4,830,931 | 6,011,861 | 8,313,237 |
| Investment in associates | 55,189,510 | 53,053,932 | 12,721,671 |
| Property and equipment | 28,163,176 | 27,392,747 | 22,085,658 |
| Investment property | 2,161,000 | 2,161,000 | - |
| Non-current assets held for sale | 1,711,733 | 1,711,733 | 1,711,733 |
| TOTAL ASSETS | 106,770,300 | 105,054,076 | 81,867,715 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 53,800,000 | 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 | (16,458) | (15,740) | (11,656) |
| Foreign currency translation reserve | (61,444) | (58,980) | (41,432) |
| Cumulative changes in fair value | 12,013 | 95,000 | 84,329 |
| Retained earnings | 19,513,597 | 17,138,686 | 3,205,495 |
| Equity attributable to the shareholders of the Company | 76,248,041 | 73,959,299 | 56,344,801 |
| Non-controlling interests | 1,140,735 | 657,963 | 438,932 |
| Total equity | 77,388,776 | 74,617,262 | 56,783,733 |
| Liabilities | | | |
| Islamic finance payables | 26,483,248 | 27,001,663 | 21,548,944 |
| Accounts payable and accruals | 2,736,631 | 3,284,240 | 3,410,004 |
| Employees' end of service benefits | 161,645 | 150,911 | 125,034 |
| Total liabilities | 29,381,524 | 30,436,814 | 25,083,982 |
| TOTAL EQUITY AND LIABILITIES | 106,770,300 | 105,054,076 | 81,867,715 |

* Certain numbers shown here do not correspond to the 31 March 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 14.



Mr. Mohammad Mubarak Al Hajeri
Chairman



Mr. Feras Fahad Al Bahar
Chief Executive Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2014

Attributable 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 value reserve 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 | - | - | - | - | - | - | - | 2,374,911 | 2,374,911 | (17,228) | 2,357,683 |
| Other comprehensive loss for the period | - | - | - | - | (718) | (2,464) | (82,987) | - | (86,169) | - | (86,169) |
| Total comprehensive (loss) income for the period | - | - | - | - | (718) | (2,464) | (82,987) | 2,374,911 | 2,288,742 | (17,228) | 2,271,514 |
| Non-controlling interests arising on increase in share capital of a subsidiary (Note 10) | - | - | - | - | - | - | - | - | - | 500,000 | 500,000 |
| At 31 March 2014 | 53,800,000 | 2,385,102 | 2,385,102 | (1,769,871) | (16,458) | (61,444) | 12,013 | 19,513,597 | 76,248,041 | 1,140,735 | 77,388,776 |
| 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 14) | - | - | - | - | - | - | - | (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 | - | - | - | - | - | - | - | 603,710 | 603,710 | (13,253) | 590,457 |
| Other comprehensive income for the period | - | - | - | - | 8,681 | 17,126 | 24,283 | - | 50,090 | - | 50,090 |
| Total comprehensive income (loss) for the period | - | - | - | - | 8,681 | 17,126 | 24,283 | 603,710 | 653,800 | (13,253) | 640,547 |
| At 31 March 2013 | 53,800,000 | 538,968 | 538,968 | (1,769,871) | (11,656) | (41,432) | 84,329 | 3,205,495 | 56,344,801 | 438,932 | 56,783,733 |

* Certain numbers shown here do not correspond to the 31 March 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 14.

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 31 March 2014

| | Note | Three months ended 31 March | |
|---|------|-----------------------------|---------------------------|
| | | 2014 KD | (Restated)* 2013 KD |
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 2,357,683 | 597,084 |
| Adjustment for: | | | |
| Net investment income | 3 | (51,422) | (9,854) |
| Share of results of associates | | (2,584,232) | (454,693) |
| (Reversal of) provision on other accounts receivables | | (2,715) | 33,167 |
| Finance costs | | 99,324 | 94,839 |
| Provision for employees' end of service benefits | | 10,734 | 7,756 |
| | | (170,628) | 268,299 |
| Working capital changes: | | | |
| Accounts receivable and prepayments | | 2,087,244 | 296,733 |
| Sokouk utilisation rights | | 25,416 | - |
| Accounts payable and accruals | | (47,608) | 157,555 |
| Net cash flows from operating activities | | 1,894,424 | 722,587 |
| INVESTING ACTIVITIES | | | |
| Purchase of financial assets available for sale | | - | (92,700) |
| Proceeds from sale of financial assets available for sale | | 1,139,365 | 88,759 |
| Dividend income received | 3 | 10,000 | - |
| Additions to property and equipment | | (770,429) | (904,205) |
| Net cash flows from (used in) investing activities | | 378,936 | (908,146) |
| FINANCING ACTIVITIES | | | |
| Net movement in due to financial institution | | (617,739) | - |
| Net cash flows used in financing activities | | (617,739) | - |
| NET INCREASE (DECREASE) IN CASH AND BANK BALANCES | | | |
| Cash and bank balances at the beginning of the period | | 1,655,621 | (185,559) |
| | | 1,100,439 | 1,539,866 |
| CASH AND BANK BALANCES AT THE END OF THE PERIOD | | | |
| | | 2,756,060 | 1,354,307 |

* Certain numbers shown here do not correspond to the 31 March 2013 interim condensed consolidated financial information and reflect adjustments made as explained in Note 14.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 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 three month period ended 31 March 2014 were authorised for issue in accordance with a resolution of the directors on 7 May 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 ("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

The interim condensed consolidated financial information for the three month ended 31 March 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 three months ended 31 March 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 31 March 2014

3 NET INVESTMENT INCOME

| | <i>Three months ended</i> | |
|--|---------------------------|--------------|
| | <i>31 March</i> | |
| | 2014 | 2013 |
| | KD | KD |
| Realised gain on sale of financial assets available for sale | 41,422 | 9,854 |
| Dividend income | 10,000 | - |
| | <u>51,422</u> | <u>9,854</u> |

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares).

The Company did not have any diluted shares as at 31 March.

| | <i>Three months ended</i> | |
|--|---------------------------|------------------|
| | <i>31 March</i> | |
| | 2014 | 2013 |
| | KD | KD |
| Profit for the period attributable to equity holders of the Company | 2,374,911 | 603,710 |
| | <i>Shares</i> | <i>Shares</i> |
| Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period | 518,499,848 | 518,499,848 |
| Basic and diluted earnings per share | <u>4.58 fils</u> | <u>1.16 fils</u> |

5 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 2,270,328 (31 December 2013: KD 2,134,593 and 31 March 2013: KD 1,371,859) has been capitalised as additions to property and equipment.

Property and equipment of KD 28,163,176 (31 December 2013: KD 27,392,747 and 31 March 2013: KD 22,085,658) is mortgaged as collateral against islamic finance payables of KD 17,950,328 (31 December 2013: KD 17,066,876 and 31 March 2013: KD 13,666,859) (Note 8).

6 INVESTMENT PROPERTY

Investment property comprise of residential building located in Kuwait.

The fair value of investment property 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 31 March 2014.

Investment property is mortgaged as collateral against islamic finance payables of KD 1,025,744 (31 December 2013: KD 1,922,162 and 31 March 2013: Nil) (Note 8).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

7 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.

8 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 28,163,176 (31 December 2013: KD 27,392,747 and 31 March 2013: KD 22,085,658) (Note 5) and investment property of KD 2,161,000 (31 December 2013: 2,161,000 and 31 March 2013: Nil) (Note 6).

9 ANNUAL GENERAL ASSEMBLY

The annual general assembly of the shareholders of the Company held on 29 April 2014 has approved the financial statements for the year ended 31 December 2013, and approved the board of directors recommendation for distribution 5% bonus shares for the year ended 31 December 2013 (31 December 2012: Nil).

However, as on the date of these interim condensed consolidated financial information, the Company is in the process of obtaining regulatory approval for the issuance of bonus shares.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

10 RELATED PARTY TRANSACTIONS

Related parties represent Parent Company, Ultimate Parent Company, major shareholders, associates, 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 and balances with related parties included in the interim condensed consolidated financial information are as follows:

| | Parent Company/Ultimate Parent Company | | Associates | Others | 31 March 2014 | 31 March 2013 |
|--|--|---|------------|--------|---------------|---------------|
| | KD | | KD | KD | KD | KD |
| <i>Interim condensed consolidated statement of income:</i> | | | | | | |
| Finance costs | 99,324 | - | - | - | 99,324 | 94,839 |
| Other income | - | - | - | - | - | 35,313 |
| Administrative expenses | - | - | - | - | - | 343 |

| | Parent Company/Ultimate Parent Company | | Associates | Others | 31 March 2014 | 31 March 2013 |
|--|--|-----------|------------|------------|----------------------------|---------------|
| | KD | | KD | KD | (Audited) 31 December 2013 | KD |
| <i>Interim condensed consolidated statement of financial position:</i> | | | | | | |
| Amounts due from related parties | - | 1,864,720 | 2,387 | 1,867,107 | 1,926,460 | 24,489,874 |
| Amounts due to related parties | 125,200 | - | 370,553 | 495,753 | 995,752 | 1,321,175 |
| Islamic finance payables | 26,483,248 | - | - | 26,483,248 | 25,079,501 | 21,548,944 |
| Cash in managed portfolio | 72,250 | - | - | 72,250 | - | 54,589 |
| Financial assets available for sale managed by related party | - | - | 91,574 | 91,574 | 1,189,346 | 1,629,850 |
| <i>Other transactions</i> | | | | | | |
| Acquisition of investment in an associate | - | - | - | - | 33,925,130 | - |
| Financial assets available for sale | - | - | - | - | 337,500 | - |

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 2012: KD 2,162,919 and 31 March 2013: KD 14,547,516).

During the three month period ended 31 March 2014, a subsidiary of the Company has increased in 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. (Holding) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

10 RELATED PARTY TRANSACTIONS (continued)

Key management compensation

| | <i>Three months ended</i> | |
|--|---------------------------------|---------------------------------|
| | <i>31 March 2014 KD</i> | <i>31 March 2013 KD</i> |
| Salaries and other short term benefits | 54,071 | 51,481 |
| End of service benefits | 4,363 | 4,363 |
| | <u>58,434</u> | <u>55,844</u> |

11 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>Three months ended 31 March 2014</i> | <i>Real estate KD</i> | <i>Investment KD</i> | <i>Others KD</i> | <i>Total KD</i> |
|---|---------------------------|--------------------------|----------------------|---------------------|
| Segment revenue | 33,709 | 2,649,154 | 6,366 | 2,689,229 |
| Segment expenses | (15,037) | (95,072) | (221,437) | (331,546) |
| Segment results | <u>18,672</u> | <u>2,554,082</u> | <u>(215,071)</u> | <u>2,357,683</u> |

| <i>Three months ended 31 March 2013</i> | <i>Real estate KD</i> | <i>Investment KD</i> | <i>Others KD</i> | <i>Total KD</i> |
|---|---------------------------|--------------------------|----------------------|---------------------|
| Segment revenue | - | 464,547 | 425,075 | 889,622 |
| Segment expenses | (33,167) | (94,839) | (171,159) | (299,165) |
| Segment results | <u>(33,167)</u> | <u>369,708</u> | <u>253,916</u> | <u>590,457</u> |

12 COMMITMENTS

The Group had capital commitments towards construction contracts relating to property and equipment amounting to KD 782,557 (31 December 2013: KD 1,290,112 and 31 March 2013: KD 1,931,555).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

13 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> KD | <i>Level 3</i> KD | <i>Total</i> KD |
|-------------------------------------|----------------------|----------------------|--------------------|
| 31 March 2014 | | | |
| Financial assets available for sale | 102,040 | 4,728,891 | 4,830,931 |
| 31 December 2013 (Audited) | | | |
| Financial assets available for sale | 1,189,346 | 4,822,515 | 6,011,861 |
| 31 March 2013 | | | |
| Financial assets available for sale | 1,637,323 | 6,675,914 | 8,313,237 |

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

14 RESTATEMENT OF 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 consolidated 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 31 March 2013</i> | | | |
| Property and equipment | - | 22,085,658 | 22,085,658 |
| Investment properties | 23,743,382 | (23,743,382) | - |
| Retained earnings | 4,863,219 | (1,657,724) | 3,205,495 |
| Investment in Joint Venture | 1,875,616 | (1,875,616) | - |
| Investment in associate | 10,846,055 | 1,875,616 | 12,721,671 |
| Accounts receivables and prepayments | 29,845,860 | 5,641,400 | 35,487,260 |
| Sokouk utilisation rights | 5,835,249 | (5,641,400) | 193,849 |
| <i>Interim condensed consolidated statement of income</i> | | | |
| <i>Three months ended 31 March 2013</i> | | | |
| Share of results of Joint Venture | 6,332 | (6,332) | - |
| Share of result of associate | 448,361 | 6,332 | 454,693 |