

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

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

31 MARCH 2016



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 2016, 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 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, it 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 International Accounting Standard 34.

Emphasis of Matter

We draw attention to the following:

- i) Note 6 to the interim condensed consolidated financial information, which states that Munshaat Real Estate Projects Company K.S.C.P. (an associate of the Company or ‘Munshaat’) has received a tax demand notice amounting to SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax (‘DZIT), Kingdom of Saudi Arabia (“tax claim”). In response to the tax claim, Munshaat has filed an objection letter with DZIT. Based on the advice from the tax consultant, the management of Munshaat has estimated and recorded a potential liability against the tax claim representing Zakat, withholding tax and related penalties in the interim condensed consolidated financial information. Notwithstanding the above facts, there is a significant material uncertainty as to the outcome of the tax claim. The provision recognised in the books as at 31 March 2016 represents the best estimate from the management of Munshaat.
- ii) Note 6 to the interim condensed consolidated financial information which describes that during the year 2015, the contractor of one of the properties of Munshaat in Kingdom of Saudi Arabia has claimed an amount of SAR 501 million (equivalent to KD 41 million) from Munshaat and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in completing the project. The case is currently under arbitration with the Saudi Arbitration Committee. The management of Munshaat, based on the advice from an independent legal counsel, believes that the outcome of the arbitration ruling would most probably be in favour of Munshaat and hence no provision has been recognised for this claim in the interim condensed consolidated financial information as at 31 March 2016.

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

Report on the Interim Condensed Consolidated Financial Information (continued)

Emphasis of Matter (continued)

- iii) Note 8 to the interim condensed consolidated financial information which describes the uncertainty related to the final outcome of an ongoing lawsuit in relation to a trading property owned by the Parent Company.

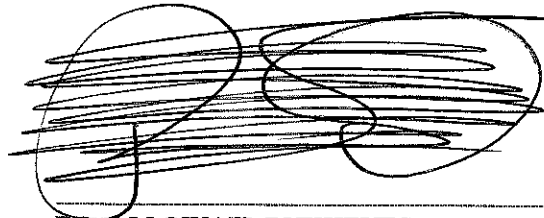
Our conclusion is not qualified in respect to the above matters.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, the executive regulations of Law No. 25 of 2012, or of the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 2016 that might have had a material effect on the business of the Parent Company or on its financial position.



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DR. ALI OWAIID RUKHEYES
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ALWAHA AUDITING OFFICE

17 May 2016
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2016

	Note	Three months ended 31 March	
		2016 KD	2015 KD
INCOME			
Hospitality income		1,112,579	-
Hospitality costs		(624,979)	-
Gross profit		487,600	-
Income from investment properties		97,001	68,646
Share of results of associates		(297,480)	1,188,644
Foreign exchange (loss) gain		(3,405)	36,705
Management fees		17,535	28,308
Other income		2,615	1,544
		<u>303,866</u>	<u>1,323,847</u>
EXPENSES			
Staff costs		(268,360)	(405,955)
Administrative expenses		(241,320)	(291,286)
Finance costs		(400,536)	(115,747)
Amortization of the leasehold property		(58,542)	-
(LOSS) PROFIT FOR THE PERIOD		<u>(664,892)</u>	<u>510,859</u>
Attributable to:			
Equity holders of the Company		(651,332)	635,295
Non-controlling interests		(13,560)	(124,436)
		<u>(664,892)</u>	<u>510,859</u>
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	3	<u>(1.14) fils</u>	<u>1.11 fils</u>

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 COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2016

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
(LOSS) PROFIT FOR THE PERIOD	(664,892)	510,859
OTHER COMPREHENSIVE (LOSS) INCOME		
<i>Other comprehensive (loss) income</i>		
<i>reclassifiable to consolidated statement of income in subsequent periods</i>		
- Foreign currency translation adjustments	(22,694)	98,581
- Share of other comprehensive income of associates	(16,539)	-
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(39,233)	98,581
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(704,125)	609,440
Attributable to:		
Equity holders of the Company	(690,565)	733,876
Non-controlling interests	(13,560)	(124,436)
	(704,125)	609,440

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 FINANCIAL POSITION (UNAUDITED)

At 31 March 2016

		(Audited)	
	31 March	31 December	31 March
	2016	2015	2015
Notes	KD	KD	KD
ASSETS			
Cash and cash equivalents	1,612,326	2,261,711	3,358,729
Inventories	50,576	64,966	35,072
Accounts receivables and prepayments	4,646,981	9,787,501	8,982,017
Investment properties	4	6,212,000	6,212,000
Leasehold property	5	4,858,978	-
Financial assets available for sale	3,578,220	3,578,220	3,831,533
Investment in associates	6	54,004,769	54,184,834
Sokouk utilization rights	26,600	26,600	35,353
Property and equipment	7	35,423,159	35,480,005
Trading property	8	1,500,022	1,500,022
TOTAL ASSETS	111,913,631	113,095,859	114,940,815
EQUITY AND LIABILITIES			
Equity			
Share capital	9	59,314,500	59,314,500
Statutory reserve	2,895,475	2,895,475	2,895,475
Voluntary reserve	2,895,475	2,895,475	2,895,475
Treasury shares	(1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of Associates	140,973	157,512	(15,740)
Foreign currency translation reserve	152,616	175,310	132,926
Other reserves	9	(258,172)	-
Retained earnings	14,200,136	14,851,468	16,251,083
Equity attributable to the shareholders of the Company	77,571,132	78,261,697	79,703,848
Non-controlling interests	1,170,984	1,184,544	1,034,563
Total equity	78,742,116	79,446,241	80,738,411
Liabilities			
Islamic finance payables	10	30,729,167	31,255,741
Accounts payable and accruals	2,137,938	2,102,807	2,069,916
Employees' end of service benefits	304,410	291,070	250,074
Total liabilities	33,171,515	33,649,618	34,202,404
TOTAL EQUITY AND LIABILITIES	111,913,631	113,095,859	114,940,815

Mr. Ghanem Yousef Abdullah Al-Ghanem
Chairman

Mr. Feras Fahad Al Bahar
Chief Executive Officer

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 CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2016

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	Other reserves KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2015	56,490,000	2,895,475	2,895,475	(1,769,871)	(15,740)	34,345	-	18,440,288	78,969,972	1,158,999	80,128,971
Profit (loss) for the period	-	-	-	-	-	-	-	635,295	635,295	(124,436)	510,859
Other comprehensive income for the period	-	-	-	-	-	98,581	-	-	98,581	-	98,581
Total comprehensive income (loss) for the period	-	-	-	-	-	98,581	-	635,295	733,876	(124,436)	609,440
Bonus shares (Note 9)	2,824,500	-	-	-	-	-	-	(2,824,500)	-	-	-
At 31 March 2015	59,314,500	2,895,475	2,895,475	(1,769,871)	(15,740)	132,926	-	16,251,083	79,703,848	1,034,563	80,738,411
At 1 January 2016	59,314,500	2,895,475	2,895,475	(1,769,871)	157,512	175,310	(258,172)	14,851,468	78,261,697	1,184,544	79,446,241
Loss for the period	-	-	-	-	-	-	-	(651,332)	(651,332)	(13,560)	(664,892)
Other comprehensive loss for the period	-	-	-	-	(16,539)	(22,694)	-	-	(39,233)	-	(39,233)
Total comprehensive loss for the period	-	-	-	-	(16,539)	(22,694)	-	(651,332)	(690,565)	(13,560)	(704,125)
At 31 March 2016	59,314,500	2,895,475	2,895,475	(1,769,871)	140,973	152,616	(258,172)	14,200,136	77,571,132	1,170,984	78,742,116

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 2016

	Notes	Three months ended 31 March	
		2016 KD	2015 KD
OPERATING ACTIVITIES			
(Loss) profit for the period		(664,892)	510,859
Adjustments to reconcile (loss) profit for the period to net cash flows:			
Share of results of associates		297,480	(1,188,644)
Finance costs		400,536	115,747
Provision for employees' end of service benefits		13,340	16,749
Depreciation		245,839	-
Amortization		58,542	-
		350,845	(545,289)
Changes in operating assets and liabilities:			
Inventories		14,390	(35,072)
Accounts receivable and prepayments		66,352	224,172
Accounts payable and accruals		35,131	(163,115)
Net cash flows from (used in) operating activities		466,718	(519,304)
INVESTING ACTIVITIES			
Dividend received from associates		-	430,483
Additions to property and equipment	7	(188,993)	(865,509)
Net cash flows used in investing activities		(188,993)	(435,026)
FINANCING ACTIVITIES			
Movement in islamic finance payables	10	(526,574)	3,287,612
Finance costs paid		(400,536)	(115,747)
Net cash flows (used in) from financing activities		(927,110)	3,171,865
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		2,261,711	1,141,194
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,612,326	3,358,729

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2016

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 periods ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors on 17 May 2016.

The consolidated financial statements for the year ended 31 December 2015 were approved by the Company's shareholders during the Annual General Assembly held on 9 May 2016.

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 No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

The main activities of the Company are as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- Ownership of movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
- Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

All activities are conducted in accordance with Islamic sharee'a.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the three months ended 31 March 2016 has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

Change in accounting policy and disclosures

The accounting policies used in the preparation of this 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 2015, except for the adoption of the amendments, the new accounting policies of which are stated below and annual improvements to International Financial Reporting Standards (IFRSs), relevant to the Company which are effective for annual reporting period starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Company.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

2 BASIS OF PREPARATION (continued)

Change in accounting policy and disclosures (continued)

Leases (continued)

Leases where the Group is a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leasehold property is amortised over the period of 21 years, less any accumulated impairment.

Operating lease payments are recognised as expense on straight line basis over the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Impairment of leasehold property

The carrying amounts of the leasehold property are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment is recognised in the interim condensed consolidated statement of income whenever the carrying amount of an asset exceeds its recoverable amount.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2015. Further, results for the three months period ended 31 March 2016, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share is calculated by dividing the (loss) 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>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>
(Loss) profit for the period attributable to equity holders of the Company	(651,332)	635,295
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	571,645,936	571,645,936
Basic and diluted (loss) earnings per share	(1.14) fils	1.11 fils

Basic and diluted (loss) earnings per share for the three months periods ended 31 March 2015 was 1.11 fils, before retrospective adjustment to the number of shares following the bonus issue (Note 9).

As at 31 March, the Company had no outstanding dilutive potential shares.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2016

4 INVESTMENT PROPERTIES

Investment properties comprise of buildings located in Kuwait.

The fair value of investment properties was determined as at 31 December 2015 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 2016.

Investment properties are mortgaged as collateral against Islamic finance payables of KD 2,921,339 (31 December 2015: KD 2,909,279 and (31 March 2015: KD 3,025,744) (Note 10).

Fair value hierarchy

The fair value measurement of investment properties has been categorised as level 3 fair value based on inputs to the valuation technique used.

5 LEASEHOLD PROPERTY

Leasehold property represents the Group's investment in 8th floor of Al Qeblah Tower located in the Kingdom of Saudi Arabia. Leasehold property is amortized over the leasehold term of 21 years and is measured at cost less accumulated amortization and impairment. Leasehold property was capitalized in February 2016 after receiving the title documents from the property manager.

6 INVESTMENTS IN ASSOCIATES

- i) On 5 January 2016, Munshaat Real Estate Projects Company K.C.S.P. (an associate of the Company or 'Munshaat') received a demand notice for SAR 1,891 million (equivalent to KD 153 million) from the Department of Zakat and Income Tax ("DZIT"), Kingdom of Saudi Arabia for the years 2003 to 2013 and claimed Capital gains tax, corporate income tax, withholding tax and penalties ("tax claim"). Refer to the consolidated financial statements of the Group for the year ended 31 December 2015 for details.

The management of Munshaat believes that the tax claim do not reflect the correct application of tax laws in the Kingdom of Saudi Arabia, the correct nature of the operations of Munshaat and also the underlying numbers used in the computation of tax claim are significantly different from the actual results of operations. Further, the management of Munshaat has appointed a tax consultant in the Kingdom of Saudi Arabia to review the tax claim and has filed an objection letter dated 2 March 2016 with DZIT.

The management of Parent Company, based on the advice from a tax consultant, has computed the estimated impact of the aforesaid tax claim and recorded a tax liability of KD 12,004,980 as 31 December 2015 and included in accounts payable and accruals. However, as on the date of the interim condensed consolidated financial information, there is a significant uncertainty as to the outcome of the tax claim. The provision recorded represents the best estimate of the tax liability that may arise from the tax claim.

- ii) During the year 2015, the contractor of one of the properties of Munshaat in Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from Munshaat for the delay in the execution of the project and various other related costs and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project and the operational losses. The dispute has been referred to Saudi Arbitration Committee and as on the date of these interim condensed consolidated financial information, the trial is in progress and the management of Munshaat, based on the advice from the legal counsel representing Munshaat in the aforesaid arbitration, believes that the outcome of the arbitration ruling will be in favor of Munshaat and also the counter claim filed by Munshaat on the developer is higher than the amount claimed by the developer. Accordingly, as at 31 March 2016, Munshaat has not recognised any provision against this claim in the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2016

7 PROPERTY AND EQUIPMENT

Property and equipment represent costs of free hold land and building.

The land and building were revalued at 31 December 2015 based on the lower of two valuations obtained from independent professionally qualified valuers with relevant experience in the market. The valuation of the properties has been determined based on comparable market values for similar properties. Management is of the view that no significant changes have occurred in the fair values during the period ended 31 March 2016.

Cumulative borrowing costs amounting to KD 3,916,007 (31 December 2015: KD 3,916,007 and 31 March 2015: KD 2,910,412) have been capitalised as additions to property and equipment.

Property and equipment of KD 35,423,159 (31 December 2015: KD 35,476,534 and 31 March 2015: KD 32,426,391) are mortgaged as collateral against Islamic financing payables of KD 21,135,625 (31 December 2015: KD 23,909,279 and 31 March 2015: KD 23,879,506) (Note 10).

8 TRADING PROPERTY

During the year 2012, the Parent Company acquired a trading property at its fair value of KD 1,500,022 in lieu of settlement of a wakala receivable from the borrower. The title of this property was transferred to the Company as on that date. However during the prior year, the management became aware that there is an ongoing lawsuit between the borrower and a third party in relation to ownership of this property. Consequently, any transfer of the title of this property is subject to final outcome of the ongoing lawsuit. The trial is currently in process in the court of law and therefore it is not practical to assess the final outcome of the court judgment. Accordingly, no provision has been recognised in the interim condensed consolidated financial information.

9 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY

- a) The annual general assembly of the shareholders of the Company held on 9 May 2016 approved the consolidated financial statements for the year ended 31 December 2015, and also approved the board of directors proposal not to distribute bonus shares (2014: 5%) for the year ended 31 December 2015 (2014: 2,824,500).
- b) During September 2015, the Group increased its equity interest in Gulf Real Estate Development House K.S.C. (Closed) from 75% to 87% as a result of issuance of additional share capital and consequently recognized a loss of KD 258,173 under 'other reserves' which is classified in equity.

10 ISLAMIC FINANCE PAYABLES

Islamic finance payables amounting to KD 24,056,963 (31 December 2015: KD 23,909,279 and 31 March 2015: KD 23,996,239) represent facilities obtained from local Islamic financial institutions and are secured by the property and equipment amounting to KD 35,423,159 (31 December 2015: KD 35,476,534 and 31 March 2015: KD 32,426,391) (Note 7) and investment properties amounting to KD 6,212,000 (31 December 2015: KD 6,212,000 and 31 March 2015: KD 6,482,000) (Note 4).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

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

	Parent Company/Ultimate Parent Company		Associates		Others		31 March 2016		31 March 2015	
	KD		KD		KD		KD		KD	
<i>Interim condensed consolidated statement of income:</i>										
Finance costs		97,335	-	-	-	-	97,335	-	-	90,745
Net provision write back against amounts due from related parties		-	-	-	-	-	-	-	-	-
<i>Interim condensed consolidated statement of financial position:</i>										
Amounts due from related parties		3,881,114	46,789		3,927,903		4,071,350		1,120,612	
Amounts due to related parties	115,585	5,460	394,768		515,813		499,184		487,897	
Islamic finance payables	7,593,544	-	-		7,593,544		8,255,739		8,882,414	

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 29,224 (31 December 2015: KD 29,224 and 31 March 2015: KD 80,523).

Key management compensation

	Three months ended	
	31 March 2016	31 March 2015
	KD	
Salaries and other short term benefits	86,013	68,443
End of service benefits	6,389	6,405
	<u>92,402</u>	<u>74,848</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2016

12 SEGMENT INFORMATION

For management purposes, the Company is organised into three 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; and
- Hotel operations: Consist of the hospitality services provided through the Millennium hotel and convention center – Kuwait.

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 2016</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	1,115,194	97,001	(297,480)	14,130	928,845
Segment expenses	(1,220,472)	(146,818)	(61,082)	(165,365)	(1,593,737)
Segment results	<u>(105,278)</u>	<u>(49,817)</u>	<u>(358,562)</u>	<u>(151,235)</u>	<u>(664,892)</u>

<i>Three months ended 31 March 2015</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	-	68,645	1,188,644	66,658	1,323,847
Segment expenses	-	(83,431)	(77,164)	(652,393)	(812,988)
Segment results	<u>-</u>	<u>(14,786)</u>	<u>1,111,480</u>	<u>(585,835)</u>	<u>510,859</u>

13 COMMITMENTS AND CONTINGENCIES

The Group had capital commitments towards construction contracts relating to property and equipment amounting to KD Nil (31 December 2015: KD 76,788 and 31 March 2015: KD 154,692).

14 FAIR VALUES

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.

Unquoted equity securities with a carrying value of KD 3,578,220 (31 December 2015: KD 3,578,220 and 31 March 2015: KD 3,831,533) are carried at cost because the fair value cannot be reliably determined.

Fair value of other financial instruments is not materially different for their carrying values at the reporting date.