

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

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012
(UNAUDITED)**

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

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AND ITS SUBSIDIARIES
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CONTENTS

Report on review of interim consolidated financial information	
	<u>Pages</u>
Interim condensed consolidated statement of financial position (Unaudited)	3
Interim condensed consolidated statement of income (Unaudited)	4
Interim condensed consolidated statement of comprehensive income (Unaudited)	5
Interim condensed consolidated statement of changes in equity (Unaudited)	6
Interim condensed consolidated statement of cash flows (Unaudited)	7
Notes to the interim consolidated financial information (Unaudited)	8 - 12



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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company - K.S.C. (Holding) (the parent company) and its subsidiaries (the group) as at June 30, 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.



-2-

Emphasis of matter

We draw attention to Note 4 to the accompanying interim consolidated financial information which describe the uncertainty relating to the amount due from associates. Our conclusion is not qualified in respect of this matter.

Report on other Legal and Regulatory Requirements

Furthermore, the interim consolidated financial information is in agreement with the books of account. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the six months period ended June 30, 2012 that might have had a material effect on the business of the Group or on its financial position.

Ali Owaid Rukheyes
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Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

State of Kuwait
August 13, 2012

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2012
 (All amounts are in Kuwaiti Dinars)

	Note	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011 (Restated)
ASSETS				
Cash on hand and at banks		1,250,167	948,639	1,238,137
Mudaraba deposits		-	350,000	-
Accounts receivable and other debit balances	3	5,597,354	2,545,853	2,931,104
Sokouk utilization rights		5,367,882	5,367,882	5,511,474
Due from related parties	4	26,498,666	26,531,278	26,949,490
Investments available for sale		8,395,074	8,223,338	8,623,431
Investment in associates	5	7,027,624	7,110,225	11,809,381
Investment in joint venture		1,663,953	1,728,669	1,791,284
Investment property under development		15,448,583	13,642,357	14,921,730
Property and equipment		506	878	8,243
Total assets		71,249,809	66,449,119	73,784,274
LIABILITIES AND EQUITY				
Liabilities:				
Due to financial institution	6	9,626,466	4,627,513	2,347,313
Murabaha payable		6,540,564	6,574,155	6,892,408
Accounts payable and other credit balances		1,220,780	1,251,201	1,490,915
Due to a related party	4	514,870	514,870	514,418
Provision for end of service indemnity		99,899	91,260	85,606
Total liabilities		18,002,579	13,058,999	11,330,660
Equity:				
Share capital		100,000,000	100,000,000	100,000,000
Share premium		17,500,000	17,500,000	17,500,000
Statutory reserve		2,229,106	2,229,106	2,229,106
Voluntary reserve		2,229,106	2,229,106	2,229,106
Effect of changes in other comprehensive income of associates		(556,348)	(560,330)	(588,026)
Foreign currency translation adjustments		(62,755)	(72,112)	(97,021)
Cumulative changes in fair value		(189,768)	(329,719)	252,161
Accumulated losses		(68,444,299)	(68,158,212)	(60,087,539)
Equity attributable to shareholders of the parent company		52,705,042	52,837,839	61,437,787
Non-controlling interests		542,188	552,281	1,015,827
Total equity		53,247,230	53,390,120	62,453,614
Total liabilities and equity		71,249,809	66,449,119	73,784,274

The accompanying notes (1) to (11) form an integral part of the interim consolidated financial information


 Feras Fahad Al Bahar
 Chairman and Chief Executive Officer

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012
 (All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2012	2011 (Restated)	2012	2011 (Restated)
Other operating income		55,197	207,280	112,284	306,355
Expenses and charges:					
General and administrative		(169,973)	(182,622)	(343,751)	(356,759)
Depreciation		(185)	(1,307)	(372)	(1,866)
		(170,158)	(183,929)	(344,123)	(358,625)
Operating (loss) gain		(114,961)	23,351	(231,839)	(52,270)
Realized (loss) gain on sale of investments available for sale		(8,144)	18,566	(16,662)	18,566
Dividend income from investments available for sale		46,600	-	46,938	20,128
Impairment loss for investments available for sale		-	-	-	(560,722)
Group's share of results from associates	5	(338,647)	(236,285)	(86,583)	(431,772)
Group's share of results from joint venture		(37,656)	(30,213)	(74,644)	(54,486)
Finance charges		(71,246)	(114,734)	(163,361)	(242,815)
Foreign currency exchange gain (loss)		341,885	(345,805)	229,971	(790,112)
Net loss for the period		(182,169)	(685,120)	(296,180)	(2,093,483)
Attributable to :					
Parent Company's shareholders		(176,764)	(694,074)	(286,087)	(2,099,393)
Non-controlling interests		(5,405)	8,954	(10,093)	5,910
Net loss for the period		(182,169)	(685,120)	(296,180)	(2,093,483)
		Fils	Fils	Fils	Fils
Loss per share attributable to shareholders of the Parent Company	7	(0.33)	(1.26)	(0.53)	(3.90)

The accompanying notes (1) to (11) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012
 (All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2012	2011 (Restated)	2012	2011 (Restated)
Net loss for the period		(182,169)	(685,120)	(296,180)	(2,093,483)
Other comprehensive income (loss):					
Exchange differences on translating foreign operations		13,744	(18,251)	9,357	(41,110)
Change in fair value of investments available for sale		30,738	(114,060)	139,951	125,231
Share of other comprehensive income from associates	5	(9,572)	(67,974)	3,982	(74,903)
Other comprehensive income (loss) for the period		34,910	(200,285)	153,290	9,218
Total comprehensive loss for the period		<u>(147,259)</u>	<u>(885,405)</u>	<u>(142,890)</u>	<u>(2,084,265)</u>
Attributable to :					
Shareholders of the parent company		(141,854)	(894,359)	(132,797)	(2,090,175)
Non-controlling interests		(5,405)	8,954	(10,093)	5,910
Total comprehensive loss for the period		<u>(147,259)</u>	<u>(885,405)</u>	<u>(142,890)</u>	<u>(2,084,265)</u>

The accompanying notes (1) to (11) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	Voluntary reserve	changes in other comprehensive income of associates	Foreign currency translation adjustments	Cumulative changes in fair value	Accumulated losses	Sub total	Non - controlling interests	Total equity
Balance at December 31, 2011	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
Total comprehensive income (loss) for the period	-	-	-	-	3,982	9,387	139,951	(286,087)	(132,797)	(10,093)	(142,890)
Balance at June 30, 2012	100,000,000	17,500,000	2,229,106	2,229,106	(556,348)	(62,755)	(189,768)	(68,444,299)	52,705,042	542,188	53,247,230
Balance at December 31, 2010	100,000,000	17,500,000	2,229,106	2,229,106	(513,123)	(55,911)	126,930	(57,407,995)	64,108,113	1,148,089	65,256,202
Correction of error (Note 10)	-	-	-	-	-	-	-	(580,151)	(580,151)	(138,172)	(718,323)
Restated balance	100,000,000	17,500,000	2,229,106	2,229,106	(513,123)	(55,911)	126,930	(57,988,146)	63,527,962	1,009,917	64,537,879
Total comprehensive (loss) income for the period	-	-	-	-	(74,903)	(41,110)	125,231	(2,099,393)	(2,090,175)	5,910	(2,084,265)
Balance at June 30, 2011	100,000,000	17,500,000	2,229,106	2,229,106	(588,026)	(97,021)	252,161	(60,087,539)	61,437,787	1,015,827	62,453,614

The accompanying notes (1) to (11) form an integral part of the interim consolidated financial information

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2012
(All amounts are in Kuwaiti Dinars)

	Six months ended June 30,	
	2012	2011 (Restated)
Cash flows from operating activities:		
Net loss for the period	(296,180)	(2,093,483)
Adjustments for:		
Depreciation	372	1,866
Realized loss (gain) on sale of investments available for sale	16,662	(18,566)
Dividend income from investments available for sale	(46,938)	(20,128)
Impairment loss for investments available for sale	-	560,722
Group's share of result from associates	86,583	431,772
Group's share of result from joint venture	74,644	54,486
Finance charges	163,361	242,815
Provision for end of service indemnity	13,542	12,458
	<u>12,046</u>	<u>(828,058)</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	1,193,563	1,514,715
Due from related parties	32,041	1,808,064
Accounts payable and other credit balances	723,468	(617,973)
Due to related parties	-	9,083
Cash generated from operations	<u>1,961,118</u>	<u>1,885,831</u>
End of service indemnity paid	(4,903)	(25,381)
Net cash generated from operating activities	<u>1,956,215</u>	<u>1,860,450</u>
Cash flows from investing activities:		
Proceeds from Mudaraba deposits	350,000	-
Paid for purchase of investments available for sale	(721,447)	(34,160)
Proceeds from sale of investments available for sale	673,000	75,008
Dividend received	46,938	20,128
Paid for investment property under development	(1,806,226)	(1,219,674)
Paid for property and equipment	-	(8,664)
Net cash used in investing activities	<u>(1,457,735)</u>	<u>(1,167,362)</u>
Cash flows from financing activities:		
Net movement of Murabaha payables	(196,952)	(792,596)
Net cash used in financing activities	<u>(196,952)</u>	<u>(792,596)</u>
Net increase (decrease) in cash on hand and at banks	301,528	(99,508)
Cash on hand and at banks at the beginning of the period	948,639	1,337,645
Cash on hand and at banks at the end of the period	<u>1,250,167</u>	<u>1,238,137</u>

The accompanying notes (1) to (11) form an integral part of the interim consolidated financial information

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

JUNE 30, 2012

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

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

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

The interim consolidated financial information were authorized for issue by the Board of Directors on August 13, 2012.

2. Basis of presentation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2011.

The interim consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months period ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2011.

3. Accounts receivable and other debit balances

The increase in accounts receivable and other debit balances is due to amount paid as advance payments to subcontractors.

4. Related party disclosures

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

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

JUNE 30, 2012

(All amounts are in Kuwaiti Dinars)

Interim condensed consolidated statement of financial position	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011 (Restated)
<u>Due from related parties:</u>			
Due from associates	38,327,832	38,343,498	38,118,985
Due from joint ventures	1,801,829	1,818,775	1,679,889
Due from companies under common control	475,234	475,234	475,234
Due from other related parties	2,387	2,387	2,387
Provision for doubtful debts	(14,108,616)	(14,108,616)	(13,327,005)
Net due from related parties	<u>26,498,666</u>	<u>26,531,278</u>	<u>26,949,490</u>
Cash with portfolio manager	6,983	11,548	24,024
Investments available for sale managed by related parties	1,444,320	1,285,008	1,485,857
<u>Due to a related party:</u>			
Due to principal shareholder	514,870	514,870	514,418
Total due to a related party	<u>514,870</u>	<u>514,870</u>	<u>514,418</u>
Due to financial institution	9,626,466	4,627,513	2,347,313
Murabaha payables	6,540,564	6,574,155	6,892,408

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

Due from related parties includes an amount of USD 158,284,538 which is equivalent to KD 44,408,309 including a deferred revenue of USD 25,008,826 which is equivalent to KD 7,016,476 receivable from Munshaat Real Estate Company – K.S.C. (Closed) – Associate -, payable in five equal annual installments starting from January 1, 2011 up to January 1, 2014.

There is an inherent uncertainty regarding the going concern of associates, Munshaat Real Estate Projects Company – K.S.C. (Closed) and Mas Holding Company - K.S.C. (Closed) (Note 5). The total amount of the provision relating to due from associates as at June 30, 2012 is KD 14,108,616.

Interim condensed consolidated statement of income:	Three months ended June 30,		Six months ended June 30,	
	2012	2011 (Restated)	2012	2011 (Restated)
Other operating income	-	7,726	-	15,451
General and administrative expenses	(3,548)	(7,040)	(6,997)	(15,309)
Finance charges	(71,246)	(114,734)	(163,361)	(242,815)
Foreign currency exchange loss	338,795	(337,021)	227,797	(779,624)

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
JUNE 30, 2012

(All amounts are in Kuwaiti Dinars)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
<u>Key management compensation:</u>				
Short term benefits	24,937	40,426	79,610	73,540
Termination benefits	4,031	3,862	9,120	6,226
	<u>28,968</u>	<u>44,288</u>	<u>88,730</u>	<u>79,766</u>

5. Investment in associates

The movement during the period / year is as follows:

	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011
Balance at the beginning of the period / year	7,110,225	12,316,056	12,316,056
Group's share of results from associates	(86,583)	(4,758,624)	(431,772)
Share of other comprehensive income from associates	3,982	(47,207)	(74,903)
Dividend received from an associate	-	(400,000)	-
Balance at the end of the period / year	<u>7,027,624</u>	<u>7,110,225</u>	<u>11,809,381</u>

The review report of auditors' for the interim consolidated financial information of Munshaat Real Estate Projects Company – K.S.C. (Closed) for the six months period ended June 30, 2012 and the auditor's report for Mas Holding Company – K.S.C. (Closed) for the year ended December 31, 2011 included an emphasis of matter relating to inherent uncertainty regarding continuation of going concern as follows:

a) Munshaat Real Estate Projects Company – K.S.C. (Closed)

"The interim consolidated financial information which indicates that the associate has accumulated losses of KD 31,130,688 as at June 30, 2012 and, as at that date the associate's current liabilities exceeded its current assets by KD 126,713,701. Furthermore, The associate is actively engaged with its lenders to restructure its entire debt obligations due to the default on the repayment of certain debt obligations and also the associate has agreed with the parent company, whose debt has been defaulted, for not to pursue collection of its outstanding dues until the associate completes the restructuring and rescheduling process."

b) Mas Holding Company – K.S.C. (Closed)

"The consolidated financial statements which indicates that the associate incurred a loss of KD 3,462,173 for the year ended December 31, 2011 and that the associate's accumulated losses of KD 2,602,699 which is in excess of capital contributed by the shareholders of the associate. The ultimate parent company of the associate has cancelled their rental contracts with the associate which was the only cash generating contracts for the associate."

6. Due to financial institution

During the period the Group obtained the first, second and third installments of a new finance facility from a local Islamic Financial Institution (related party). This facility carries an annual finance cost of 7.485% and is secured by the investment property under development.

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
JUNE 30, 2012

(All amounts are in Kuwaiti Dinars)

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

The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011 (Restated)	2012	2011 (Restated)
Loss for the period attributable to shareholders of the parent company	<u>(176,764)</u>	<u>(694,074)</u>	<u>(286,087)</u>	<u>(2,099,393)</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Number of shares outstanding:				
Weighted average number of shares outstanding	<u>538,000,000</u>	<u>538,000,000</u>	<u>538,000,000</u>	<u>538,000,000</u>
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Loss per share attributable to shareholders of the parent company	<u>(0.33)</u>	<u>(1.26)</u>	<u>(0.53)</u>	<u>(3.90)</u>

Loss per share had been restated due to reduction in capital (Note 9).

8. Capital commitments and contingent liabilities

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

	June 30, 2012	December 31, 2011 (Audited)	June 30, 2011
Capital commitments	<u>4,224,124</u>	<u>3,470,320</u>	<u>6,347,507</u>
Contingent liabilities	<u>3,196</u>	<u>7,181</u>	<u>7,024</u>
	<u>4,227,320</u>	<u>3,477,501</u>	<u>6,354,531</u>

9. Ordinary and extra General Assembly

The shareholders' General Assembly held on July 19, 2012 approved non-distribution of cash dividends or bonus shares for the year ended December 31, 2011.

The ordinary and the extraordinary shareholders' General Assembly meeting held on August 5, 2012 approved to set off accumulated losses which amount to KD 68,158,212 from the following accounts:

- KD 2,229,106 from voluntary reserve.
- KD 2,229,106 from statutory reserve.
- KD 17,500,000 from share premium.
- KD 46,200,000 from share capital.

SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
JUNE 30, 2012

(All amounts are in Kuwaiti Dinars)

Accordingly, authorized, issued and paid up capital has been decreased from KD 100,000,000 to KD 53,800,000 consisting of 538,000,000 shares of par value 100 Fils each.

The following amendments have not yet been disclosed in the commercial register till the date of issue of the accompanying interim consolidated financial information.

10. Correction of an error

During the year ended December 31, 2011 according to a meeting held on May 25, 2011 between the Parent Company and Sharia Supervisory Board it was noted that the recognized profit arising from investments in wakala was in violation of Islamic Sharia rules. Hence, management of the Group reversed gain generated from these investments through increasing the balance of accumulated losses as of December 31, 2010 by KD 580,151 which represents profit generated from these wakala investments till December 31, 2010 with a corresponding credit to the balance of investments in wakala and increasing net loss for the six months period ended June 30, 2011 by KD 257 being amount of gain from investments in wakala recognized during the six months period ended June 30, 2011. As a result of the effect of the above, balance of non-controlling interests as of December 31, 2010 decreased by an amount of KD 138,172.

11. Comparative figures

Certain comparative amounts for previous period were restated to conform with the current period presentation (Note 10). Details of restatement are as follows:

<u>Categories</u>	<u>Amounts as per interim consolidated financial information for the six months period ended June 30, 2011</u>	<u>Amounts restated</u>
Due from related parties	25,854,480	26,949,490
Investments in Wakala	1,813,333	-
Investment property under development	14,921,987	14,921,730
Accumulated losses	(59,507,131)	(60,087,539)
Non-controlling interests	1,153,999	1,015,827