

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

**INTERIM CONSOLIDATED FINANCIAL INFORMATION  
FOR THE PERIOD ENDED MARCH 31, 2012  
(UNAUDITED)  
WITH  
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

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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 of March 31, 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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.



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 period ended March 31, 2012 that might have had a material effect on the business of the Group or on its financial position.

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

State of Kuwait  
June 14, 2012

**SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF MARCH 31, 2012**  
 (All amounts are in Kuwaiti Dinars)

	Note	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011 (Restated)
<b>ASSETS</b>				
Cash on hand and at banks		1,182,587	948,639	1,692,216
Mudaraba deposits		150,000	350,000	-
Accounts receivable and other debit balances	3	6,492,335	2,545,853	4,240,570
Sokouk utilization rights		5,367,882	5,367,882	5,504,484
Due from related parties	4	26,216,982	26,531,278	27,891,054
Investments available for sale		8,326,857	8,223,338	8,759,773
Investment in associates	5	7,375,843	7,110,225	12,113,640
Investment in joint venture		1,686,717	1,728,669	1,839,746
Investment property under development		14,566,987	13,642,357	13,453,607
Property and equipment		692	878	886
<b>Total assets</b>		<b>71,366,882</b>	<b>66,449,119</b>	<b>75,495,976</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities:</b>				
Due to financial institution	6	9,453,374	4,627,513	2,290,613
Murabaha payable		6,524,804	6,574,155	7,147,628
Accounts payable and other credit balances		1,383,612	1,251,201	2,149,023
Due to a related party	4	514,870	514,870	505,336
Provision for end of service indemnity		95,733	91,260	78,232
<b>Total liabilities</b>		<b>17,972,393</b>	<b>13,058,999</b>	<b>12,170,832</b>
<b>Equity:</b>				
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		(546,776)	(560,330)	(520,052)
Foreign currency translation adjustments		(76,499)	(72,112)	(78,770)
Cumulative changes in fair value		(220,506)	(329,719)	366,221
Accumulated losses		(68,267,535)	(68,158,212)	(59,393,208)
Equity attributable to shareholders of the parent company		52,846,896	52,837,839	62,332,403
Non-controlling interests		547,593	552,281	992,741
<b>Total equity</b>		<b>53,394,489</b>	<b>53,390,120</b>	<b>63,325,144</b>
<b>Total liabilities and equity</b>		<b>71,366,882</b>	<b>66,449,119</b>	<b>75,495,976</b>

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 PERIOD ENDED MARCH 31, 2012**  
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31,	
		2012	2011 (Restated)
Other operating income		57,087	99,075
Expenses and charges:			
General and administrative		(173,778)	(174,137)
Depreciation		(187)	(559)
		<u>(173,965)</u>	<u>(174,696)</u>
Operating loss		(116,878)	(75,621)
Realized loss on sale of investments available for sale		(8,518)	-
Dividend income from investments available for sale		338	20,128
Impairment loss for investments available for sale		-	(560,722)
Group's share of results from associates	5	252,064	(195,487)
Group's share of results from joint venture		(36,988)	(24,273)
Finance charges		(92,115)	(128,081)
Foreign currency exchange loss		(111,914)	(444,307)
Net loss for the period		<u>(114,011)</u>	<u>(1,408,363)</u>
Attributable to :			
Parent Company's shareholders		(109,323)	(1,405,319)
Non-controlling interests		(4,688)	(3,044)
Net loss for the period		<u>(114,011)</u>	<u>(1,408,363)</u>
		<u>Fils</u>	<u>Fils</u>
Loss per share attributable to shareholders of the Parent Company	7	<u>(0.11)</u>	<u>(1.41)</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 COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2012**  
 (All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31,	
		2012	2011 (Restated)
Net loss for the period		<u>(114,011)</u>	<u>(1,408,363)</u>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		(4,387)	(22,859)
Change in fair value of investments available for sale		109,213	239,291
Share of other comprehensive income from associates	5	<u>13,554</u>	<u>(6,929)</u>
<b>Other comprehensive income for the period</b>		<u>118,380</u>	<u>209,503</u>
Total comprehensive income (loss) for the period		<u><u>4,369</u></u>	<u><u>(1,198,860)</u></u>
Attributable to :			
Shareholders of the parent company		9,057	(1,195,816)
Non-controlling interests		<u>(4,688)</u>	<u>(3,044)</u>
Total comprehensive income (loss) for the period		<u><u>4,369</u></u>	<u><u>(1,198,860)</u></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 PERIOD ENDED MARCH 31, 2012**

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Effect of 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 (loss) income for the period	-	-	-	-	13,554	(4,387)	109,213	(109,323)	9,057	(4,688)	4,369
<b>Balance at March 31, 2012</b>	<b>100,000,000</b>	<b>17,500,000</b>	<b>2,229,106</b>	<b>2,229,106</b>	<b>(546,776)</b>	<b>(76,499)</b>	<b>(220,506)</b>	<b>(68,267,535)</b>	<b>52,846,896</b>	<b>547,593</b>	<b>53,394,489</b>
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)	-	-	-	-	-	-	-	(579,894)	(579,894)	(152,304)	(732,198)
Restated balance	100,000,000	17,500,000	2,229,106	2,229,106	(513,123)	(55,911)	126,930	(57,987,889)	63,528,219	995,785	64,524,004
Total comprehensive (loss) income for the period	-	-	-	-	(6,929)	(22,859)	239,291	(1,405,319)	(1,195,819)	(3,044)	(1,198,860)
Balance at March 31, 2011	100,000,000	17,500,000	2,229,106	2,229,106	(520,052)	(78,770)	366,221	(59,393,208)	62,332,403	992,741	63,325,144

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 PERIOD ENDED MARCH 31, 2012**  
(All amounts are in Kuwaiti Dinars)

	Three months ended March 31,	
	2012	2011 (Restated)
<b>Cash flows from operating activities:</b>		
Net loss for the period	(114,011)	(1,408,363)
Adjustments for:		
Depreciation	187	559
Realized loss on sale of investments available for sale	8,518	-
Dividend income from investments available for sale	(338)	(20,128)
Impairment loss for investments available for sale	-	560,722
Group's share of result from associates	(252,064)	195,487
Group's share of result from joint venture	36,988	24,273
Finance charges	92,115	128,081
Provision for end of service indemnity	7,857	5,496
	<u>(220,748)</u>	<u>(513,873)</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	1,115,317	212,241
Due from related parties	314,873	1,201,128
Accounts payable and other credit balances	(103,527)	(16,564)
Cash generated from operations	<u>1,105,915</u>	<u>882,932</u>
End of service indemnity paid	(3,384)	(25,793)
Net cash generated from operating activities	<u>1,102,531</u>	<u>857,139</u>
<b>Cash flows from investing activities:</b>		
Proceeds from Mudaraba deposits	200,000	-
Paid for purchase of investments available for sale	(271,197)	-
Proceeds from sale of investments available for sale	268,373	-
Net amount paid for investments in Wakala	-	(16,763)
Dividend received	338	20,128
Paid for investment property under development	(924,630)	(83,291)
Net cash used in investing activities	<u>(727,116)</u>	<u>(79,926)</u>
<b>Cash flows from financing activities:</b>		
Net movement of Murabaha payables	(141,467)	(422,642)
Net cash used in financing activities	<u>(141,467)</u>	<u>(422,642)</u>
Net increase in cash on hand and at banks	233,948	354,571
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>1,182,587</u>	<u>1,692,216</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)**  
**MARCH 31, 2012**

(All amounts are in Kuwaiti Dinars)

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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 June 14, 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 period ended March 31, 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)**

**MARCH 31, 2012**

(All amounts are in Kuwaiti Dinars)

<b>Interim condensed consolidated statement of financial position</b>	<b>March 31, 2012</b>	<b>December 31, 2011 (Audited)</b>	<b>March 31, 2011 (Restated)</b>
<b>Due from related parties:</b>			
Due from associates	37,977,962	38,343,498	38,501,730
Due from joint ventures	1,870,015	1,818,775	2,241,095
Due from companies under common control	475,234	475,234	475,234
Due from other related parties	2,387	2,387	-
Provision for doubtful debts	(14,108,616)	(14,108,616)	(13,327,005)
<b>Net due from related parties</b>	<b>26,216,982</b>	<b>26,531,278</b>	<b>27,891,054</b>
Cash with portfolio manager	7,264	11,548	147,858
Investments available for sale managed by related parties	1,361,339	1,285,008	1,608,030
<b>Due to a related party:</b>			
Due to principal shareholder	514,870	514,870	505,336
<b>Total due to a related party</b>	<b>514,870</b>	<b>514,870</b>	<b>505,336</b>
Due to financial institution	9,453,374	4,627,513	2,290,613
Murabaha payables	6,524,804	6,574,155	7,147,628

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

Due from related parties includes an amount of USD 158,284,538 including a deferred revenue of USD 25,008,826 receivable from Munshaat Real Estate 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), during the period ended March 31, 2012. The total amount of the provision relating to due from associates as at March 31, 2012 is KD 14,108,616.

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011 (Restated)</b>
<b>Interim condensed consolidated statement of income:</b>		
Other operating income	-	127,725
General and administrative expenses	(15,309)	(50,220)
Finance charges	(92,115)	(128,081)
Foreign currency exchange loss	(110,998)	(442,603)

**SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2012**

(All amounts are in Kuwaiti Dinars)

	Three months ended March 31,	
	2012	2011
<b>Key management compensation:</b>		
Short term benefits	<b>54,673</b>	33,114
Termination benefits	<b>5,089</b>	2,364
	<b>59,762</b>	35,478

5. Investment in associates

The investment in associates consists of the following:

Name of the associate	Country of incorporation	Percentage of holding %			March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
		March 31, 2012	December 31, 2011 (Audited)	March 31, 2011			
Munshaat Real Estate Projects Co. – K.S.C. (Closed)	Kuwait	27.67	27.67	27.67	7,375,843	7,110,225	10,649,013
Mas Holding Company – K.S.C. – (Closed)	Kuwait	40	40	40	-	-	1,464,627
					<b>7,375,843</b>	<b>7,110,225</b>	<b>12,113,640</b>

The movement during the period / year is as follows:

	March 31, 2012	December 31, 2011 (Audited)	March 31, 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	252,064	(4,758,624)	(195,487)
Share of other comprehensive income from associates	13,554	(47,207)	(6,929)
Dividend received from an associate	-	(400,000)	-
Balance at the end of the period / year	<b>7,375,843</b>	<b>7,110,225</b>	<b>12,113,640</b>

The review report of auditors' for the interim consolidated financial information of Munshaat Real Estate Projects Company – K.S.C. (Closed) for the period ended March 31, 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 29,906,768 as at March 31, 2012 and, as at that date the associate's current liabilities exceeded its current assets by KD 126,740,110. 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."

**SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2012**

(All amounts are in Kuwaiti Dinars)

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.

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 March 31,	
	2012	2011 (Restated)
Loss for the period attributable to shareholders of the parent company	<u>(109,323)</u>	<u>(1,405,319)</u>
	<u>Shares</u>	<u>Shares</u>
<u>Number of shares outstanding:</u>		
Number of issued shares at the beginning of the period	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Weighted average number of shares outstanding	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<u>Fils</u>	<u>Fils</u>
Loss per share attributable to shareholders of the parent company	<u>(0.11)</u>	<u>(1.41)</u>

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:

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Capital commitments	<u>3,916,492</u>	<u>3,470,320</u>	<u>2,922,259</u>
Contingent liabilities	<u>3,169</u>	<u>7,181</u>	<u>-</u>
	<u>3,919,661</u>	<u>3,477,501</u>	<u>2,922,259</u>

**SOKOUK HOLDING COMPANY – K.S.C. (HOLDING) AND ITS SUBSIDIARIES**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**MARCH 31, 2012**

(All amounts are in Kuwaiti Dinars)

9. General Assembly

The shareholders' General Assembly for the year ended December 31, 2011 had not been held until the date of preparation of these interim consolidated financial information. Accordingly, the consolidated financial statements for the year ended December 31, 2011 have not been approved. The interim consolidated financial information for the period ended March 31, 2012 do not include any adjustment which might have been required had the shareholders' General Assembly approved the consolidated financial statements for the year ended December 31, 2011.

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

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 579,894 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 period ended March 31, 2011 by KD 31,140 being amount of gain from investments in wakala recognized during the period ended March 31, 2011. As a result of the effect of the above, balance of non-controlling interests as of December 31, 2010 and for the period ended March 31, 2011 decreased by an amount of KD 152,304 and 17,127 respectively.

11. Comparative figures

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

<u>Categories</u>	Amounts as per interim consolidated financial information for the period ended March 31, 2011	Amounts restated
Due from related parties	26,174,301	27,891,054
Investments in Wakala	2,184,094	-
Investment property under development	13,785,604	13,453,607
Accumulated losses	(58,799,301)	(59,393,208)
Non-controlling interests	1,162,172	992,741