

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017
(UNAUDITED)
WITH

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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AND ITS SUBSIDIARIES
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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
Sultan Center Food Products Company - K.S.C. (Public)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sultan Center Food Products Company - K.S.C. (Public) (the "Parent Company") and its subsidiaries (the "Group") as of September 30, 2017 and the related interim condensed consolidated statements of profit or loss and profit or loss and other comprehensive income for the three and nine months, changes in equity and cash flows for the nine months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". 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 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

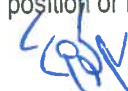
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.


Material Uncertainty Related to Going Concern

We draw attention to Note 10 to the interim condensed consolidated financial information which indicates that as at period ended September 30, 2017, the Group's accumulated losses amounted to KD 32,264,442 and, as of that date, the Group's current liabilities exceed its current assets by KD 125,803,346. These conditions along with other matters as set forth in Note 10, indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified with respect of this matter.

Report on other Legal and Regulatory Requirements

Furthermore, the interim condensed consolidated financial information is in agreement with the Parent Company's books of account. 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 and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association during nine month the period ended September 30, 2017, that might have had a material effect on the Group's financial position or results of its operations.


Ali Mohammed Kouhari
Public Account - 156 A
Member of Prime Global
Al-Salheya Office - Public Accountants


Nayef M. Al-Bazie
License No. 91-A
RSM Albazie & Co.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF SEPTEMBER 30, 2017
 (All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Current assets:				
Cash on hand and at banks		5,509,949	4,332,433	4,828,756
Accounts receivable and other debit balances		23,779,026	21,652,331	24,604,163
Due from related parties	3	1,659,672	1,693,932	1,646,436
Gross amount due from customers for contract work		5,728,806	4,749,380	3,184,179
Inventories		18,274,798	21,804,844	26,368,831
		<u>54,952,251</u>	<u>54,232,920</u>	<u>60,632,365</u>
Assets relating to discontinued operations	5	6,539,178	-	-
Total current assets		<u>61,491,429</u>	<u>54,232,920</u>	<u>60,632,365</u>
Non-current assets:				
Financial assets available for sale		5,798,397	5,798,397	8,646,413
Investment in associates	4	113,581,522	107,907,781	111,216,016
Investment properties		13,751,168	13,791,007	14,575,481
Property, plant and equipment		71,019,876	78,167,121	83,493,480
Goodwill		3,163,618	3,163,618	10,738,591
Other assets		3,063,427	3,622,770	2,038,059
Total non-current assets		<u>210,378,008</u>	<u>212,450,694</u>	<u>230,708,040</u>
Total assets		<u>271,869,437</u>	<u>266,683,614</u>	<u>291,340,405</u>
LIABILITIES AND EQUITY				
Current liabilities:				
Bank borrowings – current portion	6	62,043,916	47,561,207	46,964,705
Accounts payable and other credit balances		106,821,257	121,599,521	113,606,291
Due to related parties	3	207,450	207,450	207,450
Murabaha payable – current portion	7	11,429,500	9,929,500	10,079,500
Gross amount due to customers for contract work		-	-	38,377
		<u>180,502,123</u>	<u>179,297,678</u>	<u>170,896,323</u>
Liabilities relating to discontinued operations	5	6,792,652	-	-
Total current liabilities		<u>187,294,775</u>	<u>179,297,678</u>	<u>170,896,323</u>
Non-current liabilities:				
Bank borrowings – non current portion	6	49,733,134	53,545,250	54,606,319
Murabaha payable – non current portion	7	16,286,866	17,354,962	17,409,778
Provision for end of service indemnity		6,116,693	6,590,387	6,849,114
Total non-current liabilities		<u>72,136,693</u>	<u>77,490,599</u>	<u>78,865,211</u>
Total liabilities		<u>259,431,468</u>	<u>256,788,277</u>	<u>249,761,534</u>
Equity:				
Capital		57,882,877	57,882,877	57,882,877
Treasury shares	8	(2,593,571)	(2,593,571)	(2,593,571)
Revaluation surplus		1,072,655	1,072,655	1,072,655
Effect of change in other comprehensive loss of associates		(9,711,956)	(10,025,722)	(4,695,591)
Cumulative changes in fair value		162,253	162,253	162,253
Foreign currency translation adjustments		(2,553,057)	(2,726,890)	(2,075,068)
Accumulated losses		(32,264,442)	(34,455,690)	(8,888,108)
Equity attributable to Parent Company's shareholders		<u>11,994,759</u>	<u>9,315,912</u>	<u>40,865,447</u>
Non-controlling interests		443,210	579,425	713,424
Total equity		<u>12,437,969</u>	<u>9,895,337</u>	<u>41,578,871</u>
Total liabilities and equity		<u>271,869,437</u>	<u>266,683,614</u>	<u>291,340,405</u>

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

Essam Khalil Al-Balhi
 Vice Chairman

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Continuing Operations					
Operating revenue:					
Sales		50,400,667	56,613,976	156,055,384	181,792,542
Contract revenue		2,388,868	3,304,399	8,994,253	9,123,590
Service contract revenue		2,847,951	3,102,740	9,549,049	8,359,975
		<u>55,637,486</u>	<u>63,021,115</u>	<u>174,598,686</u>	<u>199,276,107</u>
Operating cost:					
Cost of sales		41,648,731	46,868,375	129,324,917	151,166,788
Contract cost		1,891,843	2,535,749	7,414,057	6,860,905
Service contract cost		2,598,379	2,335,206	8,560,285	6,154,387
		<u>46,138,953</u>	<u>51,739,330</u>	<u>145,299,259</u>	<u>164,182,080</u>
Gross profit		<u>9,498,533</u>	<u>11,281,785</u>	<u>29,299,427</u>	<u>35,094,027</u>
General, administrative and selling expenses		(9,447,805)	(10,650,080)	(28,269,535)	(32,047,834)
Depreciation and amortization		(1,167,027)	(1,140,477)	(3,490,905)	(3,452,214)
Provision for doubtful debts		(7,437)	-	(13,263)	(1,223,769)
Other operating income		2,044,651	1,407,375	6,155,041	4,408,281
Operating profit		<u>920,915</u>	<u>898,603</u>	<u>3,680,765</u>	<u>2,778,491</u>
Group's share of results from associates	4	2,385,465	1,490,316	5,359,975	4,539,208
Gain/(loss) on sale of property, plant and equipment		1,054,783	(467)	1,054,783	744,391
Finance charges		(1,982,112)	(1,437,091)	(4,893,438)	(4,298,007)
Profit for the period from continuing operations		<u>2,379,051</u>	<u>951,361</u>	<u>5,202,085</u>	<u>3,764,083</u>
Discontinued Operation					
Loss for the period from discontinued operations	5	(1,581,816)	(527,594)	(2,998,938)	(2,108,902)
Net profit for the period		<u>797,235</u>	<u>423,767</u>	<u>2,203,147</u>	<u>1,655,181</u>
Attributable to :					
Parent Company's shareholders		809,058	349,896	2,191,248	1,454,237
Non-controlling interests		(11,823)	73,871	11,899	200,944
Net profit for the period		<u>797,235</u>	<u>423,767</u>	<u>2,203,147</u>	<u>1,655,181</u>
Earnings per share attributable to Parent Company's shareholders (fils)					
Basic earnings per share from continuing operations	9	<u>4.23</u>	<u>1.55</u>	<u>9.19</u>	<u>6.31</u>
Earnings per share attributable to Parent Company's shareholders	9	<u>1.43</u>	<u>0.62</u>	<u>3.88</u>	<u>2.58</u>

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
 INCOME (UNAUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2017
 (All amounts are in Kuwaiti Dinars)

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2017	2016	2017	2016
Net profit for the period		797,235	423,767	2,203,147	1,655,181
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments		(17,960)	66,558	25,719	324,933
Group's share from changes in other comprehensive income (loss) of associates	4	171,826	436,725	313,766	(1,685,117)
Other comprehensive income (loss) for the period		153,866	503,283	339,485	(1,360,184)
Total comprehensive income for the period		951,101	927,050	2,542,632	294,997
Attributable to:					
Shareholders of the parent company		962,921	853,178	2,678,847	97,335
Non-controlling interests		(11,820)	73,872	(136,215)	197,662
Total comprehensive income for the period		951,101	927,050	2,542,632	294,997

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders							Sub total	Non-controlling interests	Total equity
	Capital	Treasury shares	Revaluation surplus	Effect of changes in other comprehensive loss of associates	Cumulative changes in fair value	Foreign currency translation adjustments	Accumulated losses			
Balance as of January 1, 2017	57,882,877	(2,593,571)	1,072,655	(10,025,722)	162,253	(2,726,890)	(34,455,690)	9,315,912	579,425	9,895,337
Total comprehensive income for the period	-	-	-	313,766	-	173,833	2,191,248	2,678,847	(136,215)	2,542,632
Balance as of September 30, 2017	57,882,877	(2,593,571)	1,072,655	(9,711,956)	162,253	(2,553,057)	(32,264,442)	11,994,759	443,210	12,437,969
Balance as of January 1, 2016	57,882,877	(2,593,571)	1,072,655	(3,010,474)	162,253	(2,403,283)	(10,342,345)	40,768,112	515,762	41,283,874
Total comprehensive income for the period	-	-	-	(1,685,117)	-	328,215	1,454,237	97,335	197,662	294,997
Balance as of September 30, 2016	57,882,877	(2,593,571)	1,072,655	(4,695,591)	162,253	(2,075,068)	(8,888,108)	40,865,447	713,424	41,578,871

The accompanying notes from (1) to (14) form an integral part of the interim condensed consolidated financial information.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2017
(All amounts are in Kuwaiti Dinars)

	Nine months ended September 30,	
	2017	2016
Cash flows from operating activities:		
Profit for the period from continuing operating	5,202,085	3,764,083
Loss for the period from discontinuing operating	<u>(2,998,938)</u>	<u>(2,108,902)</u>
Profit for the period	2,203,147	1,655,181
Adjustments:		
Depreciation and amortization	4,101,624	4,317,854
Provision for doubtful debts	13,263	1,223,769
Group's share of results from associates	(5,359,975)	(4,539,208)
Loss / (gain) on sale of property, plant and equipment	166,406	(744,391)
Finance charges	4,966,715	4,385,347
Provision for end of service indemnity	<u>836,909</u>	<u>974,286</u>
	6,928,089	7,272,838
Changes in operating assets and liabilities :		
Accounts receivable and other debit balances	(3,037,856)	(2,477,174)
Due from related parties	34,260	(54,000)
Gross amount due from customers for contract work	(979,426)	458,551
Inventories	2,693,338	(144,552)
Accounts payable and other credit balances	(8,415,664)	3,939,073
Due to related parties	-	(4,504)
Gross amount due to customer for contract work	-	19,890
Cash flows (used in) generated from operations	<u>(2,777,259)</u>	<u>9,010,122</u>
Payment for end of service indemnity	<u>(1,102,773)</u>	<u>(514,766)</u>
Net cash flows (used in) generated from operating activities	<u>(3,880,032)</u>	<u>8,495,356</u>
Cash flows from investing activities:		
Paid for purchase of property, plant and equipment and other assets	(2,785,269)	(3,998,242)
Proceed from sale of property, plant and equipment	<u>1,480,574</u>	<u>1,466,730</u>
Net cash flows used in investing activities	<u>(1,304,695)</u>	<u>(2,531,512)</u>
Cash flows from financing activities:		
Net movement in bank borrowings	10,670,593	(1,054,329)
Net movement in murabaha payable	431,904	(224,863)
Finance charges paid	<u>(4,744,493)</u>	<u>(4,385,347)</u>
Net cash flows from (used in) financing activities	<u>6,358,004</u>	<u>(5,664,539)</u>
Net increase in cash on hand and at banks	1,173,277	299,305
Foreign currency translation adjustments	65,558	-
Cash on hand and at banks at the beginning of the period	<u>4,332,433</u>	<u>4,529,451</u>
Cash on hand and at banks at the end of the period	<u>5,571,268</u>	<u>4,828,756</u>

Certain amounts shown here reflect the adjustments made in note 5.

The accompanying notes (1) to (14) form an integral part of the interim condensed consolidated financial information.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Sultan Center Food Products Company - K.S.C. (Public) (the "Parent Company") is a Kuwaiti shareholding company (Public) registered in Kuwait, and was incorporated based on Articles of Incorporation Ref No. 1450 / Vol. 4 dated September 22, 1980, the latest of which was notarized in the commercial register under Ref. No 30225 dated July 10, 2016.

The Parent Company is listed on the Boursa Kuwait.

The registered address of the Parent Company is P.O. Box 26567 Safat, 13126 – State of Kuwait.

The interim condensed consolidated financial information was authorized for issue by the Parent Company Board of Directors on November 15, 2017.

2. Basis of preparation

The interim condensed 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 condensed 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, 2016.

The interim condensed consolidated financial information does not include all of the information and notes 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 September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2016.

3. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, key management personnel, associates, entities under common control and other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party transactions and balances are as follows:

<u>Balances included in the interim condensed consolidated statement of financial position:</u>	Major shareholders	Associates	Entities under common control	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Due from related parties	45,672	1,614,000	-	1,659,672	1,693,932	1,646,436
Due to related parties	-	-	207,450	207,450	207,450	207,450

The due from / to related parties are non-interest bearing and there are no maturity dates.

Transactions included in the Interim condensed consolidated statement of profit or loss:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
General and administrative expenses (Rent)	443,325	438,680	1,329,973	1,316,041
<u>Key management compensation:</u>				
Salaries and other short-term benefits	248,891	391,229	899,349	1,146,669
End of service benefits	24,598	91,734	45,400	124,875
	<u>273,489</u>	<u>482,963</u>	<u>944,749</u>	<u>1,271,544</u>

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2017
 (All amounts are in Kuwaiti Dinars)

The Group has entered into contracts with a related party (major shareholder) on March 26, 2017, to waive the right of utilization and investment in lands for a total amount of KD 5,200,000. The amount has been collected in April 2017.

The contracts are contingent upon the Group's completion of all the terms of the contracts, especially those relating to the Completion of the administrative and legal procedures and the procedures for the waiver.

According to the contracts, if, within a maximum limit of six months from the date of signing of the contract, the Group is not able to transfer the lands to the buyer, the Group has to return the full amount back otherwise the Group will be obliged to give the full amount back with a penalty of 2% per month on the initial amount received from the buyer and it is calculated from the date of the payment of the amount. The Group has obtained extension up to 20 December 2017 to complete the legal transfer of ownership.

The sale will be recognized and recorded in the books when the transfer of ownership is completed.

4. Investment in associates

The movement during the period / year is as follows:

	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Balance at the beginning of the period / year	107,907,781	108,361,925	108,361,925
Group's share of results from associates	5,359,975	6,561,104	4,539,208
Group's share of other comprehensive income (loss) from associates	313,766	(7,015,248)	(1,685,117)
Balance at the end of the period / year	<u>113,581,522</u>	<u>107,907,781</u>	<u>111,216,016</u>

As of September 30, 2017, certain shares of the associate (National Real Estate Company – K.S.C (Public)) with a market value amounting to KD 41,697,112 (December 31, 2016 – KD 31,272,834, September 30, 2016 – KD 21,481,735) are pledged to certain local banks against bank borrowings and Murabaha payable (Note 6 & 7).

5. Assets classified as discontinued operations

The difficult economic conditions witnessed by the Republic of Lebanon have affected one of the subsidiaries and operators in the Central Market Sector in the Republic of Lebanon - The Sultan Center Retail (Lebanon) SAL. ("Entity"). The entity stopped its activity and the management of the entity requested bankruptcy in the Lebanese courts. Its application was accepted on 7 November 2017. The Court appointed two agents to collect their debts and fulfill their obligations in accordance with the laws of the Republic of Lebanon.

The major items of assets and liabilities classified as discontinued operations are as follows:

	July 31, 2017
Assets:	
Cash at banks and on hand	61,319
Accounts receivables and prepayments	897,898
Inventory	836,708
Property, plant and equipment	4,670,305
Other assets	72,948
Total assets relating to discontinue operations	<u>6,539,178</u>

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
SEPTEMBER 30, 2017

(All amounts are in Kuwaiti Dinars)

Liabilities:

Trade and other payables	6,584,822
Provision for end of service indemnity	207,830
Total liabilities relating to discontinue operations	6,792,652

Net assets of the discontinue operations **(253,474)**

The results of operation for discontinued operations for the period from January 1, 2017 to July 31, 2017 are presented as follows:

	July 31, 2017	September 30, 2016
Sales	5,305,241	11,316,097
Cost of sales	(4,152,678)	(8,843,892)
General and administrative expenses	(2,367,952)	(4,103,042)
Depreciation and amortization	(610,718)	(865,639)
Loss of disposals of property, plant and equipment	(1,221,189)	-
Finance charges	(73,277)	(87,341)
Other income	121,635	474,915
Loss for the period related to operations	(2,998,938)	(2,108,902)

The net cash flows discontinued operations for the period from January 1, 2017 to July 31, 2017 are presented as follows:

	July 31, 2017
Net operating cash outflows	(422,414)
Net investing cash inflows	48,614
Net financing cash outflows	(36,854)
Net cash outflows related to discontinued operations	(410,654)

The loss per share for the period from the discontinued operation are analyzed as follows

	July 31, 2017	September 30, 2016
Basic loss per share (fils)	(5.31)	(3.74)

Capital commitments for the discontinued operations as of bankruptcy dated on July 31, 2017 is amounting to KD 14,603,278 it was difficult to estimate the contingent liabilities that the company is expected to bear against the liquidation.

6. Bank borrowings

Bank borrowings are granted by local banks and foreign banks to the Parent Company and certain subsidiaries. Bank borrowings for certain subsidiaries are secured by corporate guarantee by the Parent Company and the subsidiaries, mortgage of certain shares of associate with a market value of KD 34,483,124 (December 31, 2016 – KD 25,862,343, September 30, 2016 – KD 17,873,297) waiver right of the revenues of some branches of a subsidiary and mortgage of freehold lands and building of subsidiaries with net book value of KD 12,169,175 (December 31, 2016 – KD 11,805,448, September 30, 2016 – KD 12,331,291).

During the period, Parent Company have utilized the loan of KD 15,000,000 from the local bank for which a related party has provide the corporate guarantee.

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The annual interest on the above bank borrowings is as follows:

Description	Currency	Interest rate (%)		
		September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Weighted average annual interest rate over Central Bank of Kuwait discount rate	Kuwaiti Dinar	1.75 – 2.5	1.75 – 2.5	1.75 – 2.5
Weighted average annual interest rate	Jordanian Dinar	6.5 – 8.5	6.5 – 8.5	6.5 – 8.5
Weighted average annual interest rate over LIBOR rate	US Dollar	2.5	2.5	2.5

7. Murabaha payable

Murabaha payable are secured by mortgage of certain shares of associates with market value of KD 7,213,988 (December 31, 2016 – KD 5,410,491, September 30, 2016 – KD 3,608,438), mortgage of freehold lands and buildings owned by a subsidiary with a net book value of KD 2,602,905 (December 31, 2016 – KD 3,304,150, September 30, 2016 – KD 3,311,405) and mortgage of investment properties owned by a subsidiary amounting to KD 6,750,000 (December 31, 2016 – KD 6,750,000, September 30, 2016 – KD 7,493,000).

8. Treasury shares

	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Number of shares	14,272,535	14,272,535	14,272,535
Percentage of paid up shares	2.47%	2.47%	2.47%
Market value (KD)	956,260	799,262	756,444
Cost (KD)	2,593,571	2,593,571	2,593,571

Due to accumulated losses, the Parent Company has not allotted any amount in relation to treasury shares balance as of the date of interim condensed consolidated financial information.

9. Earnings per share

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Profit for the period attributable to equity holders of the Parent Company				
Continuing operations	2,390,874	877,490	5,190,186	3,563,139
Discontinued operations	(1,581,816)	(527,594)	(2,998,938)	(2,108,902)
Total profit for the period	809,058	349,896	2,191,248	1,454,237

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Number of shares outstanding:	Shares	Shares	Shares	Shares
Number of issued shares at the beginning of the period	578,828,768	578,828,768	578,828,768	578,828,768
Less: Weighted average number of treasury shares	<u>(14,272,535)</u>	<u>(14,272,535)</u>	<u>(14,272,535)</u>	<u>(14,272,535)</u>
Weighted average number of shares outstanding at the end of the period	<u>564,556,233</u>	<u>564,556,233</u>	<u>564,556,233</u>	<u>564,556,233</u>
Basic earnings (loss) per share:				
Continuing operations	4.23	1.55	9.19	6.31
Discontinued operations	<u>(2.80)</u>	<u>(0.93)</u>	<u>(5.31)</u>	<u>(3.74)</u>
Total basic earnings per share	<u>1.43</u>	<u>0.62</u>	<u>3.88</u>	<u>2.58</u>

10. Working capital

The interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments that might arise due to uncertainty of the Group's ability to continue as a going concern.

As of September 30, 2017, the Group's accumulated losses amounted to KD 32,264,442 (December 31, 2016 – KD 34,455,690 September 30, 2016 – KD 8,888,108). The Group's current liabilities exceed current assets by KD 125,803,346 (December 31, 2016 – KD 125,064,758, September 30, 2016 – KD 110,263,958).

The Group's ability to continue as a going concern depends on its ability to make profits, enhance its future cash flows restructures, its credit facilities and the financial support of its major shareholders.

The Group's management has reasonable expectations that its lending institutions will continue and renew its credit facilities because of the Group's quality of investments and assets. It also expects that its assets exit plan will be concluded successfully as per the current market trend. In addition, the Group's major shareholders will provide the financial support to the Group as and when required.

11. Contingent liabilities and legal claims

At September 30, the group is contingently liable in respect of the following:

	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Letters of guarantee	18,891,243	16,117,903	16,091,568
Letters of credit	352,281	1,900,535	3,732,415
	<u>19,243,524</u>	<u>18,018,438</u>	<u>19,823,983</u>

There are no material changes in the contingent liabilities and legal claims of the associate Company – National Real Estate company K.S.C. (Public) other than disclosed in the audited consolidated financial statements for the year ended December 31, 2016.

12. Capital commitments and guarantees

One of the subsidiaries has entered into a 25 year agreement for the lease of land and another subsidiary has entered into a 22 year agreement for the lease of another land, also, one subsidiary enter into various operating lease agreements ranging from 2 – 15 years. Under the lease agreements, the subsidiaries are committed to pay annual lease rentals as follows:

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	September 30, 2017	December 31, 2016 (Audited)	September 30, 2016
Less than 1 year	158,946	208,177	230,683
From 1 to 5 years	1,903,393	2,409,766	2,333,823
More than 5 years*	5,483,604	19,818,568	19,674,271
	<u>7,545,943</u>	<u>22,436,511</u>	<u>22,238,777</u>

* Capital commitments related to discontinued operation in Lebanon amount to KD 14,603,278 was removed, as mentioned in Note (5).

The Group's share of capital commitments and guarantees of the associate are as follows:

- a) Capital commitments amounting to KD 15,092,656 (December 31, 2016 - KD 3,543,417 - September 30, 2016 - KD 3,461,383).
- b) Commitments under a major non-cancelable operating lease, primarily for land leased from the Government of Kuwait for the Water Front Project as follows:

Year	Amount
2016 - 2019	17,473
	<u>17,473</u>

For the operating lease commitments, the associate company is required to give to Ministry of Finance a bank guarantee of 0.5% of the total value of the capital project concerned for the purpose of maintenance services.

- c) On behalf of the Parent Company, the associate issued a corporate guarantee of KD 15,000,000 (31 December 2016: Nil and 30 September 2016: Nil) towards a short-term loan facility obtained by the Parent Company. If the Parent Company fails to retire its short-term debt either through the sale of assets or through other means, the associate will be obliged to acquire the assets of the Parent Company at a price lower than fair market price.

13. General Assembly

The Shareholders' Annual Ordinary General Assembly held on September 25, 2017 approved the consolidated financial statements for the fiscal year ended December 31, 2016. There are no any cash profit distributions or bonus shares or board of directors' remuneration for the year ended December 31, 2016.

The Parent Company Shareholders' Annual General Assembly meeting held on June 2, 2016 has approved not to distribute cash dividends or bonus shares for the year ended December 31, 2015.

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14. Segment information

For management purposes, the group has the following strategic divisions as reportable operating segments, which are summarized as follows:

Reportable operating segment	Description
Retail	Food products hyper markets.
Investment	Investing in securities, associates and joint operations.
Contracting	Construction
Real Estate	Management, development, and trading in real estate.

Information related to each reportable operating segment is set out below:

	Nine months ended September 30, 2017				
	Retail	Investment	Contracting	Real Estate	Total
Total revenue	155,827,855	116,687	17,124,198	1,529,946	174,598,686
Gross profit	26,589,785	6,339	2,352,369	350,934	29,299,427
Depreciation and amortization	(2,901,892)	-	(70,043)	(518,970)	(3,490,905)
Finance charges	(310,307)	(4,549,017)	(34,114)	-	(4,893,438)
Net (loss) profit for the period	4,727,236	374,825	484,408	(384,384)	5,202,085
Total assets	83,017,857	130,219,870	22,174,786	29,917,746	265,330,259
Total liabilities	158,485,932	83,313,739	6,755,928	4,083,217	252,638,816

	Nine months ended September 30, 2016				
	Retail	Investment	Contracting	Real Estate	Total
Total revenue	178,307,286	548,020	19,146,028	1,274,773	199,276,107
Gross profit	29,807,957	(24,522)	4,766,276	544,316	35,094,027
Depreciation and amortization	(2,943,890)	-	(138,418)	(369,906)	(3,452,214)
Finance charges	(231,661)	(4,037,186)	(29,160)	-	(4,298,007)
Net profit (loss) for the period	2,702,369	(477,351)	1,959,964	(420,899)	3,764,083
Total assets	109,833,630	128,560,504	19,630,415	33,315,856	291,340,405
Total liabilities	160,722,936	79,208,281	5,884,745	3,945,571	249,761,533

Loss for the period, assets and liabilities relating to discontinued operations are not included in segment information for nine months periods ended September 30, 2017 and 30 September 2016.