SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2019
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

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

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CONTENTS

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders
Sultan Center Food Products Company - K.S.C. (Public) And Its Subsidiaries
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 at June 30, 2019 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three months and six months period then ended, changes in equity and cash flows for the six months period then ended. Management of the Parent 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". 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 condensed 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.

Basis for Qualified Conclusion

As disclosed in Note 7, the interim condensed consolidated financial information includes an investment in associate "National Real Estate Company - K.S.C.P.", where its interim condensed consolidated financial information includes an investment in an associate "Agility Public Warehousing Company - K.S.C.P." which has filed an arbitration to recover one of its investments and a loan related thereto, which is still outstanding till date. Accordingly, we were unable to determine the effect of any adjustments that might be necessary to the carrying value of "National Real Estate Company - K.S.C.P." investment in "Agility Public Warehousing Company K.S.C.P." and the effect of these adjustments on the Group's accompanied interim condensed consolidated financial information.

Qualified Conclusion

Based on our review, except for the possible effect of the matter described in the Basis for Qualified Conclusion paragraph, 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 "Interim Financial Reporting".

Material Uncertainty Related to Going Concern

We draw attention to Note 13 to the interim condensed consolidated financial information which indicates that as at June 30, 2019, the Group's accumulated losses amounted to KD 40,311,232 (December 31, 2018 - KD 42,155,767, June 30, 2018 - KD 38,121,044) and, as of that date, the Group's current liabilities exceed its current assets by KD 113,277,186 (December 31, 2018 - KD 122,520,685 , June 30, 2018 - KD 123,924,508). These conditions along with other matters as set forth in Note 13, 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, 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, except for the matter mentioned in Basis for Qualified Conclusion paragraph, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended during the six months period ended June 30, 2019 that might have had a material effect on the Parent Company financial position or results of its operations.

Dr. Shuaib A. Shuaib
License No. 33-A
RSM Albazie & Co.

State of Kuwait
August 8, 2019

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2019
(All amounts are in Kuwaiti Dinars)

ASSETS	Notes	June 30, 2019	December 31, 2018 (Audited)	June 30, 2018
Current assets:				
Cash on hand and at banks		6,461,737	6,498,096	5,488,906
Accounts receivable and other debit balances		13,505,416	13,748,985	15,082,396
Due from related parties	4	-	8,873	1,678,672
Inventories		18,093,052	16,205,480	19,397,061
		38,060,205	36,461,434	41,647,035
Assets related to discontinued operations	5 - a	6,489,606	6,489,606	6,489,606
Assets classified held for sale	5 - b	-	-	8,469,484
Total current assets		44,549,811	42,951,040	56,606,125
Non-current assets:				
Financial assets at fair value through other comprehensive income	6	5,319,509	5,319,632	5,565,570
Investment in associates	7	101,677,176	100,951,257	111,084,781
Investment properties		17,551,283	17,539,395	16,610,365
Goodwill		1,980,901	1,980,901	3,149,149
Property, plant and equipment		115,600,883	116,446,434	69,557,345
Right of use assets	3 - c	49,687,472	-	-
Other assets		1,400,909	1,513,524	2,485,425
Total non-current assets		293,218,133	243,751,143	208,452,635
Total assets		337,767,944	286,702,183	265,058,760
LIABILITIES AND EQUITY				
Current liabilities:				
Loans and bank facilities	8	46,241,527	56,623,027	56,966,636
Accounts payable and other credit balances		94,117,726	90,723,574	101,771,999
Due to related parties	4	207,450	207,450	207,450
Murabaha payable	9	4,150,621	11,129,500	11,129,500
Lease liabilities	10	6,321,499	-	-
		151,038,823	158,683,551	170,075,585
Liabilities related to discontinued operations	5 - a	6,788,174	6,788,174	6,788,174
Liabilities classified as held for sale	5 - b	-	-	3,666,874
Total current liabilities		157,826,997	165,471,725	180,530,633
Non-current liabilities:				
Loans and bank facilities	8	67,259,074	56,932,480	57,480,303
Murabaha payable	9	20,579,500	13,863,682	14,320,375
Lease liabilities	10	41,915,734	-	-
Other long-term liability		677,297	1,307,333	1,139,441
Provision for end of service indemnity		5,714,528	5,877,098	5,517,450
Total non-current liabilities		136,146,133	77,980,593	78,457,569
Total liabilities		293,973,130	243,452,318	258,988,202
Equity:				
Share capital		57,882,878	57,882,878	57,882,878
Treasury shares	11	(2,593,571)	(2,593,571)	(2,593,571)
Revaluation surplus		52,767,199	52,816,752	2,726,595
Effect of changes in other comprehensive loss of associates		(21,641,346)	(20,650,913)	(11,817,109)
Cumulative changes in fair value		(29,105)	(28,982)	(1,509)
Foreign currency translation adjustments		(2,259,853)	(2,051,818)	(2,137,032)
Accumulated losses		(40,311,232)	(42,155,767)	(38,121,044)
Equity attributable to Parent Company's shareholders		43,814,970	43,218,579	5,939,208
Non-controlling interests		(20,156)	31,286	131,350
Total equity		43,794,814	43,249,865	6,070,558
Total liabilities and equity		337,767,944	286,702,183	265,058,760

The accompanying notes from (1) to (18) form an integral part of the interim condensed consolidated financial information.

Essam Khalil Al Refai
Vice Chairman

H.S

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 JUNE 30, 2019
(All amounts are in Kuwaiti Dinars)

		Three months ended June 30,		Six months ended June 30,	
Continuing Operations	Notes	2019	2018	2019	2018
Operating revenue:					
Sales		56,065,339	57,773,058	107,371,211	108,344,270
Contract revenue		348,990	603,199	714,398	713,182
Service contract revenue		2,287,680	2,933,316	4,704,535	5,792,714
		58,702,009	61,309,573	112,790,144	114,850,166
Operating cost:					
Cost of sales		46,054,748	47,566,004	87,908,536	88,992,677
Contract cost		139,899	500,033	455,826	549,920
Service contract cost		2,417,574	2,691,988	4,895,748	5,621,927
		48,612,221	50,758,025	93,260,110	95,164,524
Gross profit		10,089,788	10,551,548	19,530,034	19,685,642
Other operating income		1,551,096	1,723,926	3,213,264	3,237,810
General, administrative and selling expenses		(6,586,881)	(9,408,622)	(13,745,247)	(18,065,296)
Depreciation and amortization		(1,525,669)	(1,152,234)	(3,560,312)	(2,307,710)
Net provision for doubtful debts		(220,411)	-	(220,411)	-
Net provision for slow moving inventory no longer required		172,326	-	172,326	2,146
Operating profit		3,480,249	1,714,618	5,389,654	2,552,592
Group's share of results from associates	7	834,697	1,064,178	1,716,352	2,754,548
Net investment income		-	91,059	-	91,059
Gain on sale of property, plant and equipment		-	1,912,060	-	1,921,428
Other income		-	565,970	-	565,970
Finance charges		(3,205,509)	(1,861,339)	(5,362,466)	(3,556,062)
Profit for the period from continuing operations		1,109,437	3,486,546	1,743,540	4,329,535
Discontinued Operation					
Gain for the period from assets classified as held for sale	5 - b	-	132,257	-	189,079
Profit for the period		1,109,437	3,618,803	1,743,540	4,518,614
Attributable to:					
Parent Company's shareholders		1,124,463	3,651,498	1,794,982	4,582,015
Non-controlling interests		(15,026)	(32,695)	(51,442)	(63,401)
Profit for the period		1,109,437	3,618,803	1,743,540	4,518,614
		Fils	Fils	Fils	Fils
Basic earnings per share from continuing operations		1.99	6.23	3.18	7.78
Basic and diluted earnings per share attributable to Shareholders of the Parent Company	12	1.99	6.47	3.18	8.12

The accompanying notes from (1) to (18) 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 JUNE 30, 2019
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Profit for the period		1,109,437	3,618,803	1,743,540	4,518,614
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments		**(141,715)**	40,888	**(208,035)**	107,421
Group's share from changes in other comprehensive income of associates	7	**(830,212)**	(3,495,364)	**(963,892)**	(3,179,501)
Items that will not be reclassified subsequently to profit or loss:					
Changes in fair value of financial assets at fair value through other comprehensive income		(1,746)	(90,896)	(123)	(163,762)
Group share of results from associates' other comprehensive loss	7	**(26,541)**	-	(26,541)	(609,012)
Other comprehensive loss for the period		(1,000,214)	(3,545,372)	(1,198,591)	(3,844,854)
Total comprehensive income for the period		109,223	73,431	544,949	673,760
Attributable to:					
Parent Company's shareholders		**124,249**	106,126	**596,391**	737,161
Non-controlling interests		**(15,026)**	(32,695)	**(51,442)**	(63,401)
Total comprehensive income for the period		109,223	73,431	544,949	673,760

The accompanying notes from (1) to (18) 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 JUNE 30, 2019
(All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders									
	Share capital	Treasury shares	Revaluation surplus	Effect of changes in other comprehensive loss of associates	Cumulative change in fair value	Foreign currency translation adjustments	Accumulated losses	Sub total	Non - controlling interests	Total equity
Balance as at January 1, 2019	57,882,878	(2,593,571)	52,816,752	(20,650,913)	(28,982)	(2,051,818)	(42,155,767)	43,218,579	31,286	43,249,865
Profit (loss) for the period	-	-	-	-	-	-	1,794,982	1,794,982	(51,442)	1,743,540
Other comprehensive loss for the period	-	-	-	(990,433)	(123)	(208,035)	-	(1,198,591)	-	(1,198,591)
Total comprehensive (loss) income for the period	-	-	-	(990,433)	(123)	(208,035)	1,794,982	596,391	(51,442)	544,949
Transferred from revaluation surplus to accumulated losses	-	-	(49,553)	-	-	-	49,553	-	-	-
Balance as at June 30, 2019	**57,882,878**	**(2,593,571)**	**52,767,199**	**(21,641,346)**	**(29,105)**	**(2,259,853)**	**(40,311,232)**	**43,814,970**	**(20,156)**	**43,794,814**
Balance as at January 1, 2018	57,882,878	(2,593,571)	2,726,595	(8,028,596)	162,253	(2,244,453)	(42,703,059)	5,202,047	194,751	5,396,798
Profit (loss) for the period	-	-	-	-	-	-	4,582,015	4,582,015	(63,401)	4,518,614
Other comprehensive (loss) income	-	-	-	(3,788,513)	(163,762)	107,421	-	(3,844,854)	-	(3,844,854)
Total comprehensive (loss) income for the period	-	-	-	(3,788,513)	(163,762)	107,421	4,582,015	737,161	(63,401)	673,760
Balance as at June 30, 2018	57,882,878	(2,593,571)	2,726,595	(11,817,109)	(1,509)	(2,137,032)	(38,121,044)	5,939,208	131,350	6,070,558

The accompanying notes from (1) to (18) form an integral part of the interim condensed consolidated financial information.

	Six months ended June 30,	
	2019	2018
Cash flows from operating activities:		
Profit for the period from continuing operations	**1,743,540**	4,329,535
Profit for the period from discontinued operations	-	189,079
Profit for the period	**1,743,540**	4,518,614
Adjustments:		
Depreciation and amortization	**3,560,312**	2,307,710
Net provisions for doubtful debts	**220,411**	-
Net investment income	-	(91,059)
Net provision for slow moving inventory no longer required	**(172,326)**	(2,146)
Group's share of results from associates	**(1,716,352)**	(2,754,548)
Gain on sale of property, plant and equipment	-	(1,921,428)
Finance charges	**5,362,466**	3,556,062
Provision for end of service indemnity	**303,591**	410,236
	9,301,642	6,023,441
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**21,886**	(1,248,621)
Due from related parties	-	(55,428)
Gross amount due from customers for contract work	-	(211,411)
Inventories	**(1,715,246)**	(2,457,735)
Accounts payable and other credit balances	**3,355,228**	5,025,560
Due to related parties	-	(809,977)
Other long-term liability	**(630,036)**	-
Cash flows generated from operations	**10,333,474**	6,265,829
Paid for end of service indemnity	**(392,445)**	(178,276)
Net cash flows generated from operating activities	**9,941,029**	6,087,553
Cash flows from investing activities:		
Paid for purchase of property, plant and equipment and other assets	**(1,012,372)**	(565,349)
Proceed from sale of property, plant and equipment	-	2,151,261
Proceed from disposal of financial assets at fair value through other comprehensive income	-	69,065
Net cash flows (used in) generated from investing activities	**(1,012,372)**	1,654,977
Cash flows from financing activities:		
Net movement in bank borrowings	**(54,906)**	(1,462,838)
Net movement in murabaha payable	**(263,061)**	(1,532,063)
Lease liabilities paid	**(4,528,786)**	-
Finance charges paid	**(4,014,945)**	(3,556,062)
Net cash flows used in financing activities	**(8,861,698)**	(6,550,963)
Net increase in cash on hand and at banks	**66,959**	1,191,567
Foreign currencies translation adjustments	**(103,318)**	(225,482)
Cash on hand and at banks at the beginning of the period	**6,498,096**	4,724,610
Cash on hand and at banks relating to discontinued operations and assets classified as held for sale	-	(201,789)
Cash on hand and at banks at the end of the period	**6,461,737**	5,488,906

The accompanying notes (1) to (18) form an integral part of the interim condensed consolidated financial information.

1. Incorporation and activities

Sultan Center Food Products Company - K.S.C. (Public) (the "Parent Company") was incorporated as a Kuwaiti shareholding company and is listed on the Kuwait Stock Exchange. The Parent Company was registered in the Commercial register under reference number 30225 dated September 22, 1980.

The parent Company is engaged in the following activities:

1. Construction of central markets and associated rest areas and restaurants.
2. Import, export and marketing of consumer goods.
3. Manufacturing of food products.
4. Investment in trademarks.
5. The operation of retail supermarkets, restaurants, catering services, trading and the installation of telecommunication equipment.
6. Trade in readymade garments and shoes, bags, accessories and gifts.
7. To carry out the following in Kuwait or abroad:
   a. Investment in various industries through incorporation of companies or investing in existing companies, and dealing in securities of local and foreign companies
   b. Providing consulting and training services
   c. Managing the financial administrative and operational segments of companies
   d. Investing in real estate
   e. Investing the excess funds in portfolios managed by specialized financial institutions.

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

The interim condensed consolidated financial information was authorized for issue by the Board of Directors on August 8, 2019.

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, 2018 except for the change in accounting policies due to adoption of new standards as mentioned in the Note 3.

The Group has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective. Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

The interim condensed consolidated financial information does not include all 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 in the accompanying interim condensed consolidated financial information. Operating results for the period ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2018.

3. Changes in accounting policies due to adoption of new standards

The Group adopted IFRS 16 "Leases" effective from January 1, 2019", the key changes to the Group's accounting policies resulting from its adoption of the new standard is summarized below:

IFRS 16 – Leases

The standard, effective for annual periods beginning on or after January 1, 2019, provides a comprehensive framework for the identification of lease arrangements and their treatment in the interim condensed consolidated financial information of both lessees and lessors. It replaces the following existing standards and interpretations upon its effective date:

- IAS 17 - Leases,
- IFRIC 4 - Determining whether an Arrangement contains a Lease,
- SIC 15 - Operating Leases-Incentives; and,
- SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out guidelines presented below in points A, B and C for determining whether any impact arises from the adoption of this standard and also describes the accounting treatment on the Group's interim condensed consolidated financial information with reference to the Group as a lessee or lessor:

A. **Definition of a lease contract**

The Group previously determined at inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease as explained below:

- Is there an identified asset that the customer has the right to use,
- Does the lessee obtain substantially all the economic benefits, and,
- Does the lessee have the right to direct the use of asset.

B. **The Group as a lessee**

IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability (unless the lessee applies the fair value model in IAS 40 Investment Property to right-of-use assets that meet the definition of investment property in IAS 40 or applies the revaluation model in IAS 16 Property, plant and equipment).

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Subsequently, the lease liability is adjusted for any change in interest rate and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. a contract that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the later approach is selected, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is presented as an adjustment to opening retained earnings (or other component of equity as appropriate), or selecting the second option within the same approach that allows to measure the lease liability at the present value of the remaining future lease payments until the end of the contract discounted at the interest rate implicit in the lease contract if the rate is readily determined or lessee incremental borrowing rate against recording a right of use asset with the same value with no impact on the retained earnings.

C. **The Group as a lessor**

In contrast to lessee accounting, IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, and continue to require a lessor to classify a lease either as an operating lease or a finance lease. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for sub-leases. As at the effective date, the adoption of IFRS 16 has not had a significant effect on the Group's accounting policies related to a lessor for sub-leases.

Transition

On applying the requirements of IFRS 16, the Group used the modified retrospective approach (option 2) at the initial application date January 1, 2019 and accordingly comparative information is not restated. The Group has elected to use the practical transition method that permits the application of the standard only to contracts previously determined as lease contracts in accordance with IAS 17 and IFRIC 4 at the date of initial application. The Group has also used recognition exemptions for leases with a lease term of 12 months or less and no option to purchase (short-term leases) and leases where the underlying asset is low value (low-value assets).

a) **Right of use assets:**

The Group recognises right of use assets at the commencement date of the lease (i.e. the date underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment loses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use are subject to impairment. The carrying value of the right-of-use assets are included in the interim condensed consolidated statement of financial position.

The Group used an implicit discount rate calculated at an interest rate ranging from 4.625% to 7.5% which represents the average borrowing price of the Group's companies.

b) **Lease liabilities:**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payment (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index of a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and are recorded in the interim condensed consolidated statement of financial position.

c) **Significant judgment in determining the lease term of contracts with renewal options:**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy).

The impact of the adoption of IFRS 16 as at January 1, 2019 is as follows:

	KD
Assets:	
Right of use assets	51,418,498
Total assets	**51,418,498**
Liability:	
Lease liabilities	51,418,498
Total liabilities	**51,418,498**

The following table shows the movement in the carrying amount of the rights to use assets and lease liabilities during the period:

	Right of use of assets	Lease liabilities
Effect of application of IFRS 16	51,418,498	51,418,498
Amortization	(1,731,026)	-
Finance charges (Note 10)	-	1,347,521
Payments (Note 10)	-	(4,528,786)
Balance as at June 30, 2019	**49,687,472**	**48,237,233**

Right of use of assets amortization amounting to KD 1,731,026 and finance charge amounting to KD 1,347,521, were included in the interim condensed consolidated financial information for the six months period ended June 30, 2019, under depreciation and amortization and finance charges respectively.

4. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, associates and entities under common control in the normal course of its business. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows

Balances included in the Interim condensed consolidated statement of financial position:	**Entities under common control**	**June 30, 2019**	December 31, 2018 (Audited)	June 30, 2018
Due from related parties	-	-	8,873	1,678,672
Due to related parties	207,450	207,450	207,450	207,450

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

Transactions included in the Interim condensed consolidated statement of profit or loss:	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
General and administrative expenses (Rent)	**659,525**	456,142	**1,319,049**	912,284

Compensation to key management personnel

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Salaries and other short-term benefits	**205,416**	154,897	**355,715**	432,798
End of service benefits	**11,795**	22,122	**20,321**	33,714
	217,211	177,019	**376,036**	466,512

5. Assets relating to discontinued operations

a) 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) S.A.L. ("Lebanon"). Management of the entity stopped its activity and declared bankruptcy in the Lebanese courts. Its application was accepted on 6 November 2017. The Court appointed two agents to collect the entity's debts and fulfill its 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:

	June 30, 2019	December 31, 2018 (Audited)	June 30, 2018
Assets:			
Cash on hand and at banks	**60,854**	60,854	60,854
Accounts receivable and other debit balances	**891,091**	891,091	891,091
Inventory	**830,365**	830,365	830,365
Property, plant and equipment	**4,634,900**	4,634,900	4,634,900
Other assets	**72,396**	72,396	72,396
Total assets classified as discontinued operations	**6,489,606**	6,489,606	6,489,606
Liabilities:			
Accounts payables and other credit balances	**6,580,481**	6,580,481	6,580,481
Provision for end of service indemnity	**207,693**	207,693	207,693
Total liabilities classified as discontinued operations	**6,788,174**	6,788,174	6,788,174
Net assets classified as discontinued operations	**(298,568)**	(298,568)	(298,568)

Capital commitments for the Sultan Center Retail (Lebanon) - S.A.L. as at bankruptcy dated on July 31, 2018 amounted to KD 14,603,278 (Note 16), it was difficult to estimate the contingent liabilities that the company is expected to incur due to liquidation.

There is a lawsuit against Sultan Center Retail (Lebanon) - S.A.L. as a result of bankruptcy. Group Management anticipates that the lawsuit will not have a material adverse impact on the accompanying interim condensed consolidated financial information.

b) Assets classified as held for sale

During the year ended 31 December 2017, the Group classified its investment in the subsidiary "Sultan Center for Telecommunications – K.S.C. (Closed)" as assets classified for sale in accordance with IFRS 5. The classification resulted in a loss of KD 3,847,010 that was recorded as a loss from discontinued operations for the year ended December 31, 2017.

The comparative six months period ended profit from assets classified as held for sale on June 30, 2018 amounted to KD 189,079 and basic earnings per share from discontinued operations was 0.34 Fils.

On January 15, 2018, the Group entered into a sale agreement of the subsidiary for an amount of KD 4,000,000, of which KD 3,497,129 was collected during the year. Accordingly, the investment in subsidiary was excluded from the Parent Company's books.

6. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities of which the Group elected to reclassify from financial assets available for sale as a result of the adoption of IFRS 9 as at January 1, 2018.

	June 30, 2019	December 31, 2018 (Audited)	June 30, 2018
Quoted equity securities	**44,699**	44,822	53,150
Unquoted equity securities	**5,274,810**	5,274,810	5,512,420
	5,319,509	5,319,632	5,565,570

The fair value classification levels are disclosed in Note 14.

7. Investment in associates

The movement during the period / year was as follows:

	June 30, 2019	December 31, 2018 (Audited)	June 30, 2018
Balance at the beginning of the period / year	**100,951,257**	112,118,746	112,118,746
Impact on adoption of IFRS 9 of associates	**-**	(1,724,242)	-
Balance at the beginning of the year (restated)	**100,951,257**	110,394,504	112,118,746
Group's share of results from associates	**1,716,352**	4,828,043	2,754,548
Impairment loss	**-**	(1,800,575)	-
Group's share of other comprehensive loss from associates	**(990,433)**	(12,470,715)	(3,788,513)
Balance at the end of the period / year	**101,677,176**	100,951,257	111,084,781

As at June 30, 2019, shares of the associate (National Real Estate Company – K.S.C. (Public)) with market value of KD 25,577,227 (December 31, 2018 – KD 30,625,364, June 30, 2018 – KD 33,085,950) are pledged to certain local banks against bank borrowings and Murabaha payable (Note 8, 9).

Contingent liabilities for material legal cases related to the associate Company "National Real Estate Company – K.S.C.P".

On February 2017, the Associate filed a request for arbitration against the Republic of Iraq pursuant to Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID"), and Article 10 of the Agreement between the Government of the State of Kuwait and the Government of the Republic of Iraq for Reciprocal Promotion and Protection of Investments (the "2015 BIT"). The claim arises from a series of actions and inactions of the Iraqi government, including its regulatory agency Communications & Media Commission ("CMC") relating to an alleged decision by the CMC to annul the previous written consent granted in connection with the Associate's investment in Korek Telecom, as well as the CMC's order to transfer the shares acquired by the Associate back to the original Iraqi shareholders (which was implemented in March 2019). Without limitation, the Associate's claims relate to Iraq's failure to treat the Associate's investment of over USD 380 million fairly and equitably, its failure to accord the Associate with due process, as well as the indirect expropriation of that investment, each in breach of the 2015 BIT. On February 24, 2017, the Associate's request for arbitration was formally registered with ICSID. The arbitration tribunal was formally constituted on December 20, 2017 and an initial procedural hearing was held on January 31, 2018.

The Associate's memorial was submitted on April 30, 2018. On August 6, 2018, Iraq submitted objections to jurisdiction and requested that they be determined as a preliminary matter before the case proceeds further on the merits. The tribunal bifurcated the proceedings on October 31, 2018, and the Associate submitted its counter-memorial on jurisdiction on January 10, 2019. The reply of the respondents was submitted on February 25, 2019, and the Associate's rejoinder was submitted on March 21, 2019. The hearings were held on April 24 and 25, 2019, and the tribunal issued its decision on Jurisdiction, in which found that it had Jurisdiction over certain (but not all) of the associate's claims. The hearing on the merits is now expected to be held in the third quarter of 2020. The expected financial impact cannot yet be assessed as the dispute remains legally unresolved and its outcome is not clear.

8. Loans and bank borrowings

Bank borrowings are granted by local and foreign banks to the Parent Company and certain subsidiaries. Bank borrowings for certain subsidiaries are secured by the corporate guarantees of the Parent Company and the subsidiaries, mortgage of certain shares of an associate Company for a market value of KD 21,152,130 (December 31, 2018 KD 25,326,892, June 30, 2018 – KD 27,361,773), waiver right of revenues of some branches of a subsidiary and mortgage of freehold lands and building of subsidiaries with net book value of KD 45,273,723 (December 31, 2018 – KD 45,300,990 , June 30, 2018 – KD 12,133,752).

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

		Interest rate (%)		
Description	Currency	**June 30, 2019**	December 31, 2018 (Audited)	June 30, 2018
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
Average annual interest rate	Kuwaiti Dinar	**8**	-	-
Weighted average annual interest rate	Jordanian Dinar	**6.5 – 8.5**	6.5 – 8.5	6.5 – 8.5
Weighted average semiannual interest rate	Oman Riyal	**4 – 5.5**	4 – 5.5	4 – 5.5

9. Murabaha payable

Murabaha payable is secured by mortgage of certain shares of associates for a market value of KD 4,425,097 (December 31, 2018 – KD 5,298,472, June 30, 2018 - KD 5,724,177), mortgage of freehold lands and buildings owned by a subsidiary with net book value of KD 7,094,442 (December 31, 2018 - KD 7,100,000 , June 30, 2018 - KD 1,131,535) and mortgage of investment properties owned by a subsidiary amounting to KD 10,800,000 (December 31, 2018 – KD 10,800,000, June 30, 2018 – KD 9,800,000).

10. Lease liabilities

	June 30, 2019	December 31, 2018 (Audited)	June 30, 2018
Balance at the beginning of the period / year	-	-	-
Impact of adoption of IFRS 16	51,418,498	-	-
Finance charges (Note 3 – c)	1,347,521	-	-
Paid during the period / year (Note 3 – c)	(4,528,786)	-	-
Balance at end of period / year	48,237,233	-	-
Analyzed as:			
Current portion	6,321,499	-	-
Non- current portion	41,915,734	-	-
	48,237,233	-	-

11. Treasury shares

	June 30, 2019	December 31, 2018 (Audited)	June 30, 2018
Number of shares	14,272,531	14,272,531	14,272,531
Percentage of paid up shares	2.47%	2.47%	2.47%
Market value (KD)	699,354	756,444	999,077
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 the interim condensed consolidated financial information.

12. Basic and diluted earnings per share

There are no potential dilutive shares. 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 June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Profit for the period attributable to the Parent Company's shareholders	1,124,463	3,651,498	1,794,982	4,582,015
Number of shares outstanding:	Shares	Shares	Shares	Shares
Number of issued shares at the beginning of the period	578,828,669	578,828,669	578,828,669	578,828,669
Less: Weighted average number of treasury shares	(14,272,531)	(14,272,531)	(14,272,531)	(14,272,531)
Weighted average number of shares outstanding at the end of the period	564,556,138	564,556,138	564,556,138	564,556,138
Basic and diluted earnings per share attributable to the Parent Company's shareholders (fils)	1.99	6.47	3.18	8.12

13. Going concern

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 interim 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 at June 30, 2019, the Group's accumulated losses amounted to KD 40,311,232 (December 31, 2018 – KD 42,155,767, June 30, 2018 – KD 38,121,044). The Group's current liabilities exceed current assets by KD 113,277,186 (December 31, 2018 – KD 122,520,685, June 30, 2018 – KD 123,924,508).

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 is currently negotiating with its lending financial institutions to reschedule and renew its credit facilities. It is also currently in the process of increasing its capital in the coming period, along with taking active steps to implement an exit plan for certain investments and assets currently reported in the interim condensed consolidated financial information to overcome this situation.

14. Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	June 30, 2019		
	Level 1	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income	**44,699**	**5,274,810**	**5,319,509**

	December 31, 2018 (audited)		
	Level 1	Level 3	Total
Financial assets at fair value through other comprehensive income	44,822	5,274,810	5,319,632

	June 30, 2018		
	Level 1	Level 3	Total
Financial assets at fair value through other comprehensive income	53,150	5,512,420	5,565,570

During the period ended June 30, 2019, there were no transfers between different levels of fair value measurement.

15. Contingent liabilities and legal claims

The Group was contingently liable in respect of the following:

	June 30, 2019	December 31, 2018 (Audited)	June 30, 2018
Letters of guarantee	**10,210,444**	10,983,280	10,206,246
Letters of credit	**160,296**	341,941	355,103
	10,370,740	11,325,221	10,561,349

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 those disclosed in the audited consolidated financial statements for the year ended December 31, 2018.

16. Capital commitments
Capital commitments from discontinued operation amounted to KD 14,603,278.

17. General Assembly
The Shareholders' Annual Ordinary General Assembly held on May 14, 2019 approved the consolidated financial statement for the year ended December 31, 2018 and not to distribute cash dividends or bonus shares for the year ended December 31, 2018.

The Shareholders' Annual Ordinary General Assembly held on May 14, 2018 approved the consolidated financial statement for the year ended December 31, 2017 and not to distribute cash dividends or bonus shares for the year ended December 31, 2017.

18. 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:

	Six months ended June 30, 2019				
	Retail	**Investment**	**Contracting**	**Real Estate**	**Total**
Total revenue	107,371,211	-	4,429,922	989,011	112,790,144
Gross profit (loss)	19,257,372	-	(191,213)	463,875	19,530,034
Depreciation and amortization	(2,557,001)	(22,146)	(281,120)	(700,045)	(3,560,312)
Finance charges	(1,166,484)	(3,556,714)	(61,772)	(577,496)	(5,362,466)
Profit (loss) for the period	4,995,886	(2,624,397)	(481,728)	(146,221)	1,743,540
Total assets	176,403,464	107,371,501	6,432,517	47,560,462	337,767,944
Total liabilities	178,320,206	87,051,448	4,489,716	24,111,760	293,973,130

	December 31, 2018				
	Retail	Investment	Contracting	Real Estate	Total
Total assets	144,903,156	107,562,042	5,151,790	29,085,195	286,702,183
Total liabilities	152,797,747	82,209,693	3,544,222	4,900,656	243,452,318

	Six months ended June 30, 2018				
	Retail	Investment	Contracting	Real Estate	Total
Total revenue	108,344,270	-	5,356,668	1,149,228	114,850,166
Gross profit	19,180,764	-	170,788	334,090	19,685,642
Depreciation and amortization	(1,863,967)	(27,280)	(42,934)	(373,529)	(2,307,710)
Finance charges	(464,888)	(3,091,174)	-	-	(3,556,062)
Profit (loss) for the period	3,556,578	1,601,572	(656,053)	(172,562)	4,329,535
Total assets	97,993,733	122,547,878	15,037,198	29,479,951	265,058,760
Total liabilities	161,748,199	84,882,015	4,384,105	7,973,883	258,988,202

* Retail and contracting segments includes the assets and liabilities relating to discontinued operations and held for sale.