

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

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2013
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

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

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Report on review of interim consolidated financial information

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
Sultan Center Food Products Company - K.S.C. (Closed)
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. (Closed) (the Parent Company) and subsidiaries (the Group) as of March 31, 2013 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended. Management of the Parent Company 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 consolidated 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.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review the interim consolidated financial information is in agreement with the books of account of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violation of the companies Law of 2012 and its amendments or of the Parent company's Articles of incorporation and Articles of Association during the period ended March 31, 2013 that might have had material affected on the Group's financial position or results of its operations.

Ali Owaid Rukh Hayes
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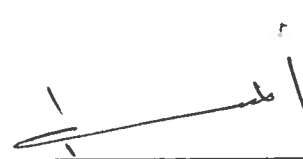
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State of Kuwait
May 14, 2013

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	March 31, 2013	December 31, 2012 (Audited)	March 31, 2012
Current assets:				
Cash on hand and at banks		6,144,714	5,768,700	6,456,464
Accounts receivable and other debit balances		13,061,820	13,101,817	12,089,320
Due from related parties	3	719,714	581,879	1,279,053
Gross amount due from customers for contract work		3,344,406	2,153,302	3,646,814
Inventories		21,928,319	22,009,715	18,970,753
Total current assets		45,198,973	43,615,413	42,442,404
Investments available for sale	4	9,737,258	12,054,160	8,538,933
Investment in associates	5	98,783,306	99,188,244	98,561,576
Investment properties		13,859,903	13,859,903	12,577,158
Fixed assets		93,917,614	93,845,486	100,399,212
Other assets		7,249,943	7,753,974	7,969,251
Goodwill		10,738,591	10,738,591	10,738,591
Total assets		279,485,588	281,055,771	281,227,125
<u>LIABILITIES AND EQUITY</u>				
Current liabilities:				
Bank borrowings	6	97,683,509	100,679,200	103,127,228
Accounts payable and other credit balances		99,197,455	95,771,484	91,499,091
Due to related party	3	328,397	809,776	2,099,350
Murabaha payable		20,640,000	20,635,000	19,746,837
Gross amount due to customers for contract work		37,460	88,493	754,555
Total current liabilities		217,886,821	217,983,953	217,227,061
Bank borrowings – non current portion	6	14,557,852	14,445,132	15,393,360
Murabaha payable – non current portion		1,750,000	2,000,000	3,000,000
Provision for end of service indemnity		5,739,966	5,777,452	5,959,859
Equity:				
Capital		57,882,878	57,882,878	57,882,878
Share premium		-	-	4,543,220
Treasury shares	7	(2,593,571)	(2,593,571)	(2,593,571)
Statutory reserve		-	-	13,407,108
Voluntary reserve		-	-	13,407,108
Revaluation surplus		1,072,655	1,072,655	1,100,731
Effect of changes in other comprehensive income of associates		(3,123,959)	(1,879,149)	(2,309,353)
Cumulative changes in fair value of investments available for sale		1,385,956	1,563,956	308,850
Foreign currency translation adjustments		(1,330,669)	(1,313,493)	(1,385,520)
Accumulated losses		(14,000,071)	(14,141,772)	(44,967,164)
Total equity attributable to Parent Company's shareholders		39,293,219	40,591,504	39,394,287
Non-controlling interests		257,730	257,730	252,558
Total equity		39,550,949	40,849,234	39,646,845
Total liabilities and equity		279,485,588	281,055,771	281,227,125

The accompanying notes (1) to (15) form an integral part of the interim consolidated financial information



Ayman Sultan Al-Essa
Chairman and Group Managing Director

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013
 (All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31,	
		2013	2012
Operating revenue:			
Sales		56,566,424	57,135,928
Construction contract revenue		1,921,893	1,109,499
Service contract revenue		1,954,540	2,072,282
		<u>60,442,857</u>	<u>60,317,709</u>
Operating cost:			
Cost of sales		46,194,797	46,726,000
Construction contract costs		1,446,537	663,142
Service contract cost		1,750,546	1,776,041
		<u>49,391,880</u>	<u>49,165,183</u>
Gross profit		<u>11,050,977</u>	<u>11,152,526</u>
Other operating income		1,658,659	2,518,346
Expenses and charges:			
General, administrative and selling expenses		10,804,157	11,077,542
Depreciation and amortization		1,911,676	2,045,822
Total expenses and charges		<u>12,715,833</u>	<u>13,123,364</u>
Operating (loss) profit		(6,197)	547,508
Realized gain on sale of investment available for sale	4	1,139,678	-
Group's share of results from the associates	5	839,872	643,588
Gain from sale of investment properties		-	1,261,492
Fixed assets written off		(112,031)	-
Other assets written off		(133,760)	-
Finance charges		(1,585,861)	(1,694,532)
Profit for the period before NLST		<u>141,701</u>	<u>758,056</u>
NLST		-	(2,484)
Net profit for the period		<u>141,701</u>	<u>755,572</u>
Attributable to :			
Parent Company's shareholders		141,701	754,743
Non-controlling interests		-	829
Net profit for the period		<u>141,701</u>	<u>755,572</u>
Earnings per share attributable to Parent Company's shareholders - Fils	8	<u>0.25</u>	<u>1.34</u>

The accompanying notes (1) to (15) form an integral part of the interim consolidated financial information

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31,	
		2013	2012
Net profit for the period		<u>141,701</u>	<u>755,572</u>
Other comprehensive (loss) income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Foreign currency translation adjustments		(17,176)	(217,130)
Changes in fair value of investments available for sale		613,100	308,850
Reversal due to sale of investment available for sale		(791,100)	-
Effect of changes in other comprehensive income of associates	5	(1,244,810)	263,330
Other comprehensive (loss) income for the period		<u>(1,439,986)</u>	<u>355,050</u>
Total comprehensive (loss) income for the period		<u>(1,298,285)</u>	<u>1,110,622</u>
Attributable to:			
Shareholders of the parent company		(1,298,285)	1,113,233
Non-controlling interests		-	(2,611)
Total comprehensive (loss) income for the period		<u>(1,298,285)</u>	<u>1,110,622</u>

The accompanying notes (1) to (15) form an integral part of the interim consolidated financial information.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to Parent Company's shareholders												
	Capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Revaluation surplus	comprehensive income of associates	changes in other	Cumulative changes in fair value of investments available for sale	Foreign currency translation adjustments	Accumulated losses	Sub-total	Non-controlling interests
Balance as at December 31, 2012	57,882,878	-	(2,593,571)	-	-	1,072,655	(1,879,149)	1,563,956	(1,313,493)	(14,141,772)	40,591,504	257,730	40,849,234
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,244,810)	(178,000)	(17,176)	141,701	(1,298,285)	-	(1,298,285)
Balance as at March 31, 2013	57,882,878	-	(2,593,571)	-	-	1,072,655	(3,123,959)	1,385,956	(1,330,669)	(14,000,071)	39,293,219	257,730	39,550,949
Balance as at December 31, 2011	57,882,878	4,543,220	(2,593,571)	13,407,108	13,407,108	1,100,731	(2,572,683)	-	(1,171,830)	(45,721,907)	38,281,054	255,169	38,536,223
Total comprehensive income (loss) for the period	-	-	-	-	-	-	263,330	308,850	(213,690)	754,743	1,113,233	(2,611)	1,110,622
Balance as at March 31, 2012	57,882,878	4,543,220	(2,593,571)	13,407,108	13,407,108	1,100,731	(2,309,353)	308,850	(1,385,520)	(44,967,164)	39,394,287	252,558	39,646,845

The accompanying notes (1) to (15) form an integral part of the interim consolidated financial information.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

	Three months ended March 31,	
	2013	2012
Cash flows from operating activities:		
Profit for the period before National Labor Support Tax	141,701	758,056
Adjustments for:		
Depreciation and amortization	1,911,676	2,045,822
Realized gain on sale of investment available for sale	(1,139,678)	-
Gain from sale of investment properties	-	(1,261,492)
Fixed assets written off	112,031	-
Other assets written off	133,760	-
Group's share of results from associates	(839,872)	(643,588)
Provision for end of service indemnity	268,377	313,157
Finance charges	1,585,861	1,694,532
	<u>2,173,856</u>	<u>2,906,487</u>
Changes in operating assets & liabilities :		
Accounts receivable and other debit balances	39,997	3,999,856
Due from related parties	(137,835)	466,521
Gross amount due from customers for contract work	(1,191,104)	(1,282,569)
Inventories	81,396	(509,283)
Accounts payable and other credit balances	3,408,795	(6,345,300)
Due to related party	(481,379)	(184,638)
Gross amount due to customers for contract work	(51,033)	736,353
Cash generated from (used in) operations	3,842,693	(212,573)
Employees' end of service indemnity paid	(305,863)	(301,812)
Net cash generated from (used in) operating activities	<u>3,536,830</u>	<u>(514,385)</u>
Cash flows from investing activities:		
Paid for purchase of fixed assets and other assets	(1,725,564)	(469,863)
Proceeds from sale of investment properties	-	4,567,247
Proceeds from sale of investment available for sale	3,278,580	-
Net cash generated from investing activities	<u>1,553,016</u>	<u>4,097,384</u>
Cash flows from financing activities:		
Net movement in bank borrowings	(2,882,971)	(3,169,429)
Net movement in murabaha payable	(245,000)	(422,785)
Finance charges paid	(1,585,861)	(1,694,532)
Net cash used in financing activities	<u>(4,713,832)</u>	<u>(5,286,746)</u>
Net increase (decrease) in cash on hand and at banks	376,014	(1,703,747)
Cash on hand and at banks at the beginning of the period	5,768,700	8,160,211
Cash on hand and at banks at the end of the period	<u>6,144,714</u>	<u>6,456,464</u>

The accompanying notes (1) to (15) form an integral part of the interim consolidated financial information.

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

MARCH 31, 2013

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Sultan Center Food Products Company - K.S.C. (Closed) "the parent company" is a shareholding company 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. 1450 / W Vol. 4 dated September 22, 1980 and registered on Commercial register under Ref. No. 30225 dated April 1, 1993.

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

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce within six months from the date of issue of amendment in the official news letter will determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended.

The interim consolidated financial information was authorized for issue by the Board of Directors on May 14, 2013.

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 financial statements for the year ended December 31, 2012, except for the implementation of the following standards which are effective January 1, 2013:

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories

- a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss.
- b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met.

IAS 16 Property, plant and equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventories, otherwise if they meet definition of inventories as per IAS 2.

IFRS 7 Financial Instruments Disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2013
(All amounts are in Kuwaiti Dinars)

IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements

The Group shall determine the type of joint arrangement in which it is involved. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. Joint operators shall account for their share of assets, liabilities, revenue and expenses.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers. Joint venture shall apply equity method of accounting in accordance with IAS 28 - Investment in associates and Joint Ventures (2011), unlike IAS 31, the use of 'proportionate consolidation' is not permitted.

IFRS 12 Disclosure of Interests in other entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

IFRS 13 Fair Value Measurement

This IFRS

- a) defines fair value
- b) sets out in a single IFRS a framework for measuring fair value and
- c) requires disclosures about fair value measurements.

IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value.

The interim 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 consolidated financial information. Operating results for the period ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2012.

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2013

(All amounts are in Kuwaiti Dinars)

3. Related party transactions and balances

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, companies under common control, key management personnel, associates 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 party transactions and balances are as follows:

<u>Interim condensed consolidated statement of financial position:</u>	Major shareholders	Companies under common control	March 31, 2013	December 31,	March 31, 2012
				2012 (Audited)	
Due from related parties	719,714	-	719,714	581,879	1,279,053
Due to related party	-	328,397	328,397	809,776	2,099,350
<u>Interim condensed consolidated statement of profit or loss:</u>					
Rent			(388,288)	(1,553,734)	(375,901)
			<u>Three months ended March 31,</u>		
			<u>2013</u>	<u>2012</u>	
<u>Key management compensation:</u>					
Salaries and other short-term benefits			402,663	678,500	
Termination benefits			22,972	51,634	
			<u>425,635</u>	<u>730,134</u>	

4. Investments available for sale

During the period the Group sold an investment available for sale with fair value amounting to KD 3,278,580 which resulted in gain amounting to KD 1,139,678 (March 31, 2012: Nil).

5. Investment in associates

The movement during the period / year is as follows:

	March 31, 2013	December 31, 2012 (Audited)	March 31, 2012
Balance at the beginning of the period / year	99,188,244	97,724,638	97,724,638
Group's share of results from associates	839,872	818,951	643,588
Change in associates' equity	(1,244,810)	693,534	263,330
Foreign currency translation adjustments	-	(48,879)	(69,980)
Balance at the end of the period / year	<u>98,783,306</u>	<u>99,188,244</u>	<u>98,561,576</u>

The net movement in the associates' equity represents the following:

	March 31, 2013	December 31, 2012 (Audited)	March 31, 2012
Cumulative change in fair value	60,856	(51,503)	(17,754)
Effect of changes in associate's equity	(717,835)	(84,341)	113,484
Foreign currency translation adjustments	(587,831)	829,378	167,600
	<u>(1,244,810)</u>	<u>693,534</u>	<u>263,330</u>

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2013

(All amounts are in Kuwaiti Dinars)

6. Bank borrowings

Bank borrowings are granted by local banks and foreign banks. Bank borrowings for certain subsidiaries are secured by corporate guarantee by the subsidiaries and the parent company and are secured by mortgage of freehold land and buildings of a subsidiary with net book value of KD 9,650,235.

The annual interest on the bank borrowings is as follows:

<u>Description</u>	<u>Currency</u>	<u>March 31, 2013 %</u>	<u>December 31, 2012 (Audited) %</u>	<u>March 31, 2012 %</u>
Weighted average annual interest rate over Central Bank of Kuwait discount rate	Kuwaiti Dinar	1.5 – 2.5	1.5 – 2.5	1.5 – 2.5
Weighted average annual interest rate	Jordanian Dinar	7.5 – 8.75	7.5 – 8.75	7.5 – 8.75
Average annual interest rate over LIBOR rate	US Dollars	1.5 – 2.5	1.5 – 2.5	1.5 – 2.5
Average annual interest rate	Omani Riyal	5 – 6	5 – 6	5 – 6

7. Treasury shares

	<u>March 31, 2013</u>	<u>December 31, 2012 (Audited)</u>	<u>March 31, 2012</u>
Number of shares	14,272,535	14,272,535	14,272,535
Percentage of issued shares	2.47%	2.47%	2.47%
Market value (KD)	1,569,979	1,427,254	1,684,159
Cost (KD)	2,593,571	2,593,571	2,593,571

8. Earnings per share attributable to Parent company's shareholders

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

	<u>Three months ended March 31,</u>	
	<u>2013</u>	<u>2012</u>
Net profit for the period attributable to the parent company's shareholders	<u>141,701</u>	<u>754,743</u>
	<u>Shares</u>	<u>Shares</u>
<u>Number of shares outstanding:</u>		
Number of issued outstanding and fully paid shares at the beginning of the period	578,828,769	578,828,769
Less: Weighted average number of treasury shares	(14,272,535)	(14,272,535)
Weighted average number of shares outstanding	<u>564,556,234</u>	<u>564,556,234</u>
Earnings per share attributable to the parent company's shareholders (fils)	<u>0.25</u>	<u>1.34</u>

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2013

(All amounts are in Kuwaiti Dinars)

9. Working capital

The Group's current liabilities exceeded the current assets by the amount of KD 172,687,848 (December 31, 2012 – KD 174,368,540, March 31, 2012 KD 174,784,657). The interim consolidated financial information have been prepared assuming the Group will continue as a going concern. This assumption relies on the Group's management opinion that its lender financial institutions will renew the Group's outstanding borrowings on their respective due dates considering the Group's ability to generate cash flows.

10. Contingent liabilities

	March 31, 2013	December 31, 2012 (Audited)	March 31, 2012
Letters of guarantee	15,791,238	15,551,542	14,146,753
Letters of credit	2,946,428	2,350,843	2,076,568
	<u>18,737,666</u>	<u>17,902,385</u>	<u>16,223,321</u>

The Group's share of contingent liabilities of the associate are as follows:

a) Contingently liable in respect of the following:

	March 31, 2013	December 31, 2012 (Audited)	March 31, 2012
Letters of guarantee	797,822	775,423	774,370

As per the decision No. 507 in 2006, the Ministry of Commerce and Industry cancelled the management contract of Kuwait Free Trade Zone in the state of Kuwait, Shuwaikh port dated May 30, 1998 between the Ministry of Commerce and Industry and National Real Estate Company K.S.C (Associate). Accordingly, the associate had recognized a provision amounting to KD 4,139,059 as a result of the loss of control over the free zone assets.

This provision was made on a conservative basis and not as surrender to the validity of the resolution.

The associate had filed a lawsuit under Ref. 939/2006 for an appeal against the decision of Ministry of Commerce and Industry for the cancellation of management contract for KFTZ. The report of expert department was issued and will be discussed in court on April 24, 2013.

As per the opinion of the associate's external legal counsel hearing, the decision of the Ministry of Commerce and Industry would be cancelled and in case the decision is not cancelled, then the associate has the right to recover all expenses incurred due to cancellation of the contract before its maturity and has also the right to be compensated for future benefits for the rest of the management contract term.

- b) The associate has certain properties constructed on land leased from the Government for 25 years. The Ministry of Finance had issued a resolution to terminate those contracts after the expiry of this 25 years period. However, the associate appealed against this resolution claiming for the renewal of those contracts for another 25 years with the same terms. The Court of Cassation in its session dated June 30, 2009 had decided that the contracts of those properties are expired and the properties are to be handed over to the Ministry of Finance and the Ministry had obtained possession of these properties from the associate on March 24, 2010, which would not have negative financial impact on its financial results as all necessary provisions in that regard are accounted in the records of the associate.

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As per the opinion of the associate's external legal counsel, there is no ability to comment on the possible financial impact of neither the Court of Cassation's verdict nor the possible compensations which might result for either parties. Taking that into consideration as well as the full provision recorded for those properties in the associate's records, the associate's management had decided that no additional provisions would be necessary to be recorded in the associate's records as at the date of consolidated financial statements.

- c) The associate had filed a legal case No. 277/2005 against Kuwait Ports Authority and a transport company claiming for the unpaid rent amount from their utilization of certain plots in Kuwait Free Trade Zone during management by the associate. The court of appeal in its session dated May 24, 2011 had confirmed the appealed ruling of the court of first instance obliging Kuwait Ports Authority and the transport company to jointly pay an amount of KD 6,956,416 to the associate for the areas and periods as mentioned in the court verdict. The associate had received the amount as stated in the Court ruling on October 11, 2011. Kuwait Ports Authority and the transport company again appealed that ruling in the Court of Cassation which is still under discussion with the Court.

This amount represents the portion of the rental income due from Kuwait Ports Authority which is recorded in the books of the associate. The associate previously recorded full provision for the total amount in its books. Provisions accounted earlier were not reversed for amount collected on conservative basis until a final ruling is to be issued which will not be appealed. Also the associate has raised a lawsuit against Kuwait Ports Authority to compensate her for the value of utilizing other sites in Kuwait Free Trade Zone; the court transferred the matter to experts department which is still under consideration till date.

11. Capital commitments

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:

	March 31, 2013	December 31, 2012 (Audited)	March 31, 2012
Less than 1 year	223,775	221,229	441,803
From 1 to 5 years	8,041,021	8,912,674	10,710,241
More than 5 years	14,601,413	15,066,314	14,596,294

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

- a) Capital commitments amounting to KD 158,478 (December 31, 2012 - KD 156,109 - March 31, 2012 – KD 137,164).
- 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
2013 - 2017	43,682
2018 - 2019	17,473
	61,155

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

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12. Fair value of financial instruments

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial instruments that are measured at fair value at:

March 31, 2013	Level 1	Level 2	Level 3	Total
<u>Investments available for sale</u>	<u>3,868,062</u>	<u>-</u>	<u>-</u>	<u>3,868,062</u>
December 31, 2012 (Audited)	Level 1	Level 2	Level 3	Total
<u>Investments available for sale</u>	<u>6,184,964</u>	<u>289,548</u>	<u>2,360,121</u>	<u>8,834,633</u>
March 31, 2012	Level 1	Level 2	Level 3	Total
<u>Investments available for sale</u>	<u>5,092,414</u>	<u>-</u>	<u>-</u>	<u>5,092,414</u>

During the period ended March 31, 2013, there were no transfers between different levels of fair value measurement.

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13. General Assembly

The Board of Directors' meeting held on March 31, 2013 proposed no dividend for the year ended December 31, 2012. This recommendation is subject to the approval of the ordinary shareholders' annual General Assembly.

The shareholders' General Assembly for the year ended December 31, 2012 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, 2012 have not been approved. The interim consolidated financial information for the period ended March 31, 2013 do not include any adjustment which might have been required had the General Assembly approved the consolidated financial statements for the year ended December 31, 2012.

The shareholders' General Assembly meeting held on June 7, 2012 approved not to distribute dividends for the year ended December 31, 2011 and to write off accumulated losses amounting to KD 31,357,436 as follows:

- KD 13,407,108 from statutory reserve,
- KD 13,407,108 from voluntary reserve,
- KD 4,543,220 from share premium.

14. Segment information

	Three months ended March 31, 2013				Total
	Retail	Investment	Contracting	Real Estate	
Total revenue	56,449,436	66,250	3,519,069	408,102	60,442,857
Gross profit	10,335,114	6,307	410,074	299,482	11,050,977
Net (loss) profit for the period	(917,224)	1,089,899	131,477	(162,451)	141,701
Depreciation and amortization	(1,771,632)	(39)	(46,075)	(93,930)	(1,911,676)
Finance charges	(532,150)	(871,599)	(34,129)	(147,983)	(1,585,861)
Total assets	120,710,281	112,638,167	11,069,279	35,067,861	279,485,588
Total Liabilities	205,314,137	9,949,716	8,394,601	16,276,185	239,934,639

	Three months ended March 31, 2012				Total
	Retail	Investment	Contracting	Real Estate	
Total revenue	56,835,570	-	3,203,316	278,823	60,317,709
Gross profit	10,369,418	-	611,341	171,767	11,152,526
Net profit (loss) for the period	684,841	(1,174,233)	351,550	893,414	755,572
Depreciation and amortization	(1,970,519)	(39)	(53,172)	(22,092)	(2,045,822)
Finance charges	(579,210)	(944,490)	(12,557)	(158,275)	(1,694,532)
Total assets	127,796,121	111,427,764	9,574,296	32,428,944	281,227,125
Total Liabilities	204,278,581	12,370,708	8,468,673	16,462,318	241,580,280

15. Comparative figures

Certain comparative amounts for the previous period were reclassified to conform with the current period presentation, which has no impact on total equity and the Group's net results.