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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2013
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
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 at June 30, 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 six 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 violations of the companies Law of 2012 and it's amendments or of the Parent company's Articles of incorporation and Articles of Association during the period ended June 30, 2013 that might have had a material effect on the Group's financial position or results of its operations.

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State of Kuwait
August 14, 2013

SULTAN CENTER FOOD PRODUCTS COMPANY - K.S.C. (CLOSED) AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT JUNE 30, 2013
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	**June 30, 2013**	December 31, 2012 (Audited)	June 30, 2012
Current assets:				
Cash on hand and at banks		**5,637,512**	5,768,700	7,437,997
Accounts receivable and other debit balances	3	**11,590,252**	13,101,817	14,270,365
Due from related parties	4	**869,395**	581,879	1,586,184
Gross amount due from customers for contract work	5	**4,601,464**	2,153,302	3,520,780
Inventories		**24,283,631**	22,009,715	19,535,756
Total current assets		**46,982,254**	43,615,413	46,351,082
Investments available for sale	6	**6,075,398**	12,054,160	8,349,590
Investment in associates	7	**98,261,597**	99,188,244	98,928,186
Investment properties		**13,859,903**	13,859,903	12,577,158
Fixed assets		**92,057,914**	93,845,486	99,441,753
Other assets		**7,312,967**	7,753,974	8,658,710
Goodwill		**10,738,591**	10,738,591	10,738,591
Total assets		**275,288,624**	281,055,771	285,045,070
LIABILITIES AND EQUITY				
Current liabilities:				
Bank borrowings	8	**97,644,130**	100,679,200	103,803,808
Accounts payable and other credit balances		**98,675,698**	95,771,484	96,393,517
Due to related party	4	**284,502**	809,776	1,338,531
Murabaha payable		**20,140,000**	20,635,000	19,746,837
Gross amount due to customers for contract work	5	**107,149**	88,493	973,960
Total current liabilities		**216,851,479**	217,983,953	222,256,653
Bank borrowings – non current portion	8	**13,669,709**	14,445,132	14,367,015
Murabaha payable – non current portion		**2,250,000**	2,000,000	3,000,000
Provision for end of service indemnity		**5,809,935**	5,777,452	5,712,949
Equity:				
Capital		**57,882,878**	57,882,878	57,882,878
Treasury shares	9	**(2,593,571)**	(2,593,571)	(2,593,571)
Revaluation surplus		**1,072,655**	1,072,655	1,100,731
Effect of changes in other comprehensive income of associates		**(4,877,778)**	(1,879,149)	(2,712,212)
Cumulative changes in fair value of investments available for sale		**175,082**	1,563,956	219,507
Foreign currency translation adjustments		**(1,471,776)**	(1,313,493)	(1,152,767)
Accumulated losses		**(13,737,719)**	(14,141,772)	(13,299,685)
Total equity attributable to Parent Company's shareholders		**36,449,771**	40,591,504	39,444,881
Non-controlling interests		**257,730**	257,730	263,572
Total equity		**36,707,501**	40,849,234	39,708,453
Total liabilities and equity		**275,288,624**	281,055,771	285,045,070

The accompanying notes (1) to (18) 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 JUNE 30, 2013
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Operating revenue:					
Sales		**58,740,484**	58,881,576	**115,306,908**	116,017,504
Construction contract revenue		**2,917,255**	1,228,525	**4,839,148**	2,338,024
Service contract revenue		**1,973,937**	1,521,813	**3,928,477**	3,594,095
		63,631,676	61,631,914	**124,074,533**	121,949,623
Operating cost:					
Cost of sales		**47,977,616**	48,275,808	**94,172,413**	95,001,809
Construction contract cost		**2,276,408**	701,284	**3,722,945**	1,364,426
Service contract cost		**1,763,989**	1,246,881	**3,514,535**	3,022,922
		52,018,013	50,223,973	**101,409,893**	99,389,157
Gross profit		**11,613,663**	11,407,941	**22,664,640**	22,560,466
Other operating income		**1,820,315**	1,644,699	**3,478,974**	4,163,045
Expenses and charges:					
General and administrative and selling expense		**11,169,222**	11,911,836	**21,973,379**	22,989,378
Depreciation and amortization		**2,143,022**	2,113,922	**4,054,698**	4,159,744
Provision for doubtful debts		**21,513**	92,595	**21,513**	92,595
Total expenses and charges		**13,333,757**	14,118,353	**26,049,590**	27,241,717
Operating income (loss)		**100,221**	(1,065,713)	**94,024**	(518,206)
Provision no longer required	10	**-**	2,370,902	**-**	2,370,902
Dividend income		**-**	294,567	**-**	294,567
Impairment loss for investment available for sale		**-**	(100,000)	**-**	(100,000)
Realized gain on sale of investments available for sale	6	**1,509,974**	-	**2,649,652**	-
Group's share of results from associates	7	**1,232,110**	649,528	**2,071,982**	1,293,116
Gain from sale of investment properties		**-**	288	**-**	1,261,780
Fixed assets written off		**(662,084)**	-	**(774,115)**	-
Other assets written off		**(393,539)**	-	**(527,299)**	-
Finance charges		**(1,524,330)**	(1,841,184)	**(3,110,191)**	(3,535,715)
Profit for the period before NLST		**262,352**	308,388	**404,053**	1,066,444
NLST		**-**	2,484	**-**	-
Net profit for the period		**262,352**	310,872	**404,053**	1,066,444
Attributable to :					
Parent Company's shareholders		**262,352**	310,043	**404,053**	1,064,786
Non-controlling interests		**-**	829	**-**	1,658
Net profit for the period		**262,352**	310,872	**404,053**	1,066,444
Earnings per share attributable to Parent Company's shareholders (fils)	11	**0.47**	0.55	**0.72**	1.89

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2013
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2013	2012	**2013**	2012
Net profit for the period		**262,352**	310,872	**404,053**	1,066,444
Other comprehensive (loss) income:					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation adjustments		**(141,107)**	242,938	**(158,283)**	25,808
Changes in fair value of investments available for sale		**(580,380)**	(89,343)	**32,720**	219,507
Effect of sale of investments available for sale		**(630,494)**	-	**(1,421,594)**	-
Effect of changes in other comprehensive income of associates	7	**(1,739,148)**	(402,859)	**(2,983,958)**	(139,529)
Other comprehensive (loss) income for the period		**(3,091,129)**	(249,264)	**(4,531,115)**	105,786
Total comprehensive (loss) income for the period		**(2,828,777)**	61,608	**(4,127,062)**	1,172,230
Attributable to:					
Shareholders of the parent company		**(2,828,777)**	50,594	**(4,127,062)**	1,163,827
Non-controlling interests		-	11,014	-	8,403
Total comprehensive (loss) income for the period		**(2,828,777)**	61,608	**(4,127,062)**	1,172,230

The accompanying notes (1) to (18) 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 JUNE 30, 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	Effect of changes in other comprehensive income of associates	Cumulative changes in fair value of investments available for sale	Foreign currency translation adjustments	Accumulated losses	Sub total	Non-controlling interests	Total
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	-	-	-	-	-	-	(2,983,958)	(1,388,874)	(158,283)	404,053	(4,127,062)	-	(4,127,062)
Change in associates' equity (Note 7)	-	-	-	-	-	-	(14,671)	-	-	-	(14,671)	-	(14,671)
Balance as at June 30, 2013	**57,882,878**	**-**	**(2,593,571)**	**-**	**-**	**1,072,655**	**(4,877,778)**	**175,082**	**(1,471,776)**	**(13,737,719)**	**36,449,771**	**257,730**	**36,707,501**
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 (loss) income for the period	-	-	-	-	-	-	(139,529)	219,507	19,063	1,064,786	1,163,827	8,403	1,172,230
Accumulated losses written off (Note 16)	-	(4,543,220)	-	(13,407,108)	(13,407,108)	-	-	-	-	31,357,436	-	-	-
Balance as at June 30, 2012	57,882,878	-	(2,593,571)	-	-	1,100,731	(2,712,212)	219,507	(1,152,767)	(13,299,685)	39,444,881	263,572	39,708,453

The accompanying notes (1) to (18) 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 JUNE 30, 2013
(All amounts are in Kuwaiti Dinars)

	Six months ended June 30, 2013	2012
Cash flows from operating activities:		
Profit for the period before National Labor Support Tax	**404,053**	1,066,444
Adjustments:		
Depreciation and amortization	**4,054,698**	4,159,744
Provision for doubtful debts	**21,513**	92,595
Provision no longer required	**-**	(2,370,902)
Dividend income	**-**	(294,567)
Impairment loss for investment available for sale	**-**	100,000
Realized gain on sale of investments available for sale	**(2,649,652)**	-
Gain from sale of investment properties	**-**	(1,261,780)
Fixed assets written off	**774,115**	-
Other assets written off	**527,299**	-
Group's share of results from associates	**(2,071,982)**	(1,293,116)
Provision for end of service indemnity	**567,422**	968,722
Finance charges	**3,110,191**	3,535,715
	4,737,657	4,702,855
Changes in operating assets & liabilities :		
Accounts receivable and other debit balances	**1,490,052**	3,276,487
Due from related parties	**(287,516)**	159,390
Gross amount due from customers for contract work	**(2,448,162)**	(1,156,535)
Inventories	**(2,273,916)**	(1,074,286)
Accounts payable and other credit balances	**2,991,723**	(504,762)
Due to related party	**(525,274)**	(945,457)
Gross amount due to customers for contract work	**18,656**	955,758
Cash generated from operations	**3,703,220**	5,413,450
Employees' end of service indemnity paid	**(534,939)**	(1,204,287)
Net cash generated from operating activities	**3,168,281**	4,209,163
Cash flows from investing activities:		
Paid for purchase of fixed assets and other assets	**(3,373,325)**	(2,315,785)
Proceeds from sale of investment properties	**-**	4,567,535
Proceeds from sale of investments available for sale	**7,239,540**	-
Dividend income received	**-**	294,567
Net cash generated from investing activities	**3,866,215**	2,546,317
Cash flows from financing activities:		
Net movement in bank borrowings	**(3,810,493)**	(3,519,194)
Net movement in murabaha payable	**(245,000)**	(422,785)
Finance charges paid	**(3,110,191)**	(3,535,715)
Net cash used in financing activities	**(7,165,684)**	(7,477,694)
Net decrease in cash on hand and at banks	**(131,188)**	(722,214)
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	**5,637,512**	7,437,997

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

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 August 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 clarity 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.

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
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 June 30, 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.

3. Accounts receivable and other debit balances

During the period ended June 30, 2013 a subsidiary collected KD 1,816,705 from governmental authorities as a result of out of court settlement.

4. Related party disclosures

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:

Interim condensed consolidated statement of financial position:	Major shareholders	Companies under common control	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Due from related parties	869,395	-	869,395	581,879	1,586,184
Due to related party	-	284,502	284,502	809,776	1,338,531
Interim condensed consolidated statement of profit or loss:					
Rent			(720,048)	(1,553,734)	(803,892)

	Six months ended June 30, 2013	Six months ended June 30, 2012
Key management compensation:		
Salaries and other short-term benefits	**860,601**	836,707
Termination benefits	**42,118**	170,171
	902,719	1,006,878

5. Gross amount due from / to customers for contract work

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Contract costs incurred to date plus recognized profits less recognized losses	**14,881,763**	10,747,028	17,057,130
Progress billings	**(10,387,448)**	(8,682,219)	(14,510,310)
	4,494,315	2,064,809	2,546,820
Represented by:			
Gross amount due from customers for contract work	**4,601,464**	2,153,302	3,520,780
Gross amount due to customers for contract work	**(107,149)**	(88,493)	(973,960)
	4,494,315	2,064,809	2,546,820

6. Investments available for sale

During the period ended June 30, 2013 the Group sold investments available for sale with fair value amounting to KD 7,239,540 which resulted in gain amounting to KD 2,649,652 (June 30, 2012- Nil).

7. Investment in associates

The movement during the period / year is as follows:

	June 30, 2013	December 31, 2012 (Audited)	June 30, 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	**2,071,982**	818,951	1,293,116
Change in associates' equity	**(2,998,629)**	693,534	(139,529)
Foreign currency translation adjustments	**-**	(48,879)	49,961
Balance at the end of the period / year	**98,261,597**	99,188,244	98,928,186

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

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Cumulative changes in fair value	**81,508**	(51,503)	(130,599)
Treasury shares	**(14,671)**	-	-
Effect of changes in associate's equity	**(1,909,244)**	(84,341)	(347,185)
Foreign currency translation adjustments	**(1,156,222)**	829,378	338,255
	(2,998,629)	693,534	(139,529)

8. 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 (December 31, 2012 – KD 9,650,235, June 30, 2012 – KD 9,650,235).

9. Treasury shares

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
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)	**1,541,434**	1,427,254	1,455,799
Cost (KD)	**2,593,571**	2,593,571	2,593,571

10. Provision no longer required

During the period ended June 30, 2012 the group reversed provisions amounting to KD 2,370,902 representing an amount of KD 707,088 collected from Government entities, an amount of KD 843,183 that had been settled with a related party and an amount of KD 820,631 resulting from out of court settlement.

11. 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:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Earnings:				
Net profit for the period attributable to the parent company's shareholders	**262,352**	310,043	**404,053**	1,064,786
Number of shares outstanding:				
	Shares	Shares	**Shares**	Shares
Weighted average number of shares outstanding	**564,556,234**	564,556,234	**564,556,234**	564,556,234
Earnings per share attributable to the parent company's shareholders (fils)	**0.47**	0.55	**0.72**	1.89

12. Working capital

The Group's current liabilities exceeded the current assets by the amount of KD 169,869,225 (December 31, 2012 – KD 174,368,540, June 30, 2012 KD 177,105,571). 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.

13. Contingent liabilities

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Letters of guarantee	**15,470,871**	15,551,542	14,281,759
Letters of credit	**1,824,890**	2,350,843	1,968,836
	17,295,761	17,902,385	16,250,595

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

a) Contingently liable in respect of the following:

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Letters of guarantee	**797,822**	775,423	774,472

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 September 18, 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.

   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.

14. 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:

	June 30, 2013	December 31, 2012 (Audited)	June 30, 2012
Less than 1 year	**205,263**	221,229	448,119
From 1 to 5 years	**8,042,195**	8,912,674	10,447,219
More than 5 years	**14,708,640**	15,066,314	14,651,121

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

a) Capital commitments amounting to KD 147,400 (December 31, 2012 - KD 156,109 - June 30, 2012 – KD 47,444).

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
2014 - 2018	43,682
2019	8,736
	52,418

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.

15. 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:

June 30, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments available for sale	**205,936**	**-**	**-**	**205,936**

December 31, 2012 (Audited)	Level 1	Level 2	Level 3	Total
Investments available for sale	6,184,964	289,548	2,360,121	8,834,633

June 30, 2012	Level 1	Level 2	Level 3	Total
Investments available for sale	5,004,171	-	-	5,004,171

During the period ended June 30, 2013, there were no transfers between different levels of fair value measurement.

16. General Assembly

The Shareholders' Annual General Assembly held on May 16, 2013 approved not to distribute dividends for the year ended December 31,2012.

The Shareholders' General Assembly 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.

17. Segment information

	Six months ended June 30, 2013				
	Retail	Investment	Contracting	Real Estate	Total
Total revenue	114,970,794	66,250	8,258,425	779,064	124,074,533
Gross profit	21,035,967	6,307	1,060,542	561,824	22,664,640
Net (loss) profit for the period	(2,828,047)	2,781,761	579,877	(129,538)	404,053
Depreciation and amortization	(3,572,904)	(64)	(89,005)	(392,725)	(4,054,698)
Finance charges	(897,921)	(1,893,529)	(27,230)	(291,511)	(3,110,191)
Total assets	122,589,047	107,237,015	10,212,974	35,249,588	275,288,624
Total Liabilities	204,554,575	9,534,813	8,532,717	15,959,018	238,581,123

	Six months ended June 30, 2012				
	Retail	Investment	Contracting	Real Estate	Total
Total revenue	115,482,419	12,929	5,713,773	740,502	121,949,623
Gross profit	20,956,695	851	1,076,528	526,392	22,560,466
Net (loss) profit for the period	(920,906)	(496,970)	996,420	1,487,900	1,066,444
Depreciation and amortization	(3,925,167)	(77)	(101,916)	(132,584)	(4,159,744)
Finance charges	(1,263,676)	(1,917,159)	(38,921)	(315,959)	(3,535,715)
Total assets	129,045,125	112,357,333	11,336,549	32,306,063	285,045,070
Total Liabilities	209,409,934	11,804,299	8,401,055	15,721,329	245,336,617

18. 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.