

**Arabi Group Holdings – K.S.C.P  
Kuwait**

**Interim Condensed Consolidated  
Financial Information  
30 September 2016 (Unaudited)**

**PKF**

**Accountants &  
business advisers**



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**Arabi Group Holdings K.S.C.P**  
**Kuwait**

**INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS**

**Report on Review of Interim Condensed Consolidated Financial Information**

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabi Group Holdings K.S.C.P ("the Company") and its subsidiaries (together called "the Group"), as of 30 September 2016 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

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

**Emphasis of matter**

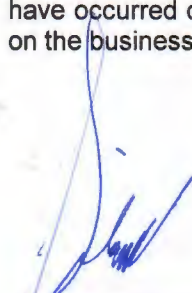
We draw attention to note 3 to the interim condensed consolidated financial information regarding receivables from contract customers which are under legal dispute and contract in progress. The Group management is of the opinion that the carrying amount of assets will be recovered in full and are not impaired. The interim condensed consolidated financial information for the period ended 30 September 2016 does not include any adjustments that might result from uncertainties regarding the outcome of Court judgments and acceptance and completion of contracts.



Further, we draw attention to note 10 to the consolidated financial statements towards funds availed through a third party for Group's investment in associate for which settlement arrangement with third party is under negotiation.

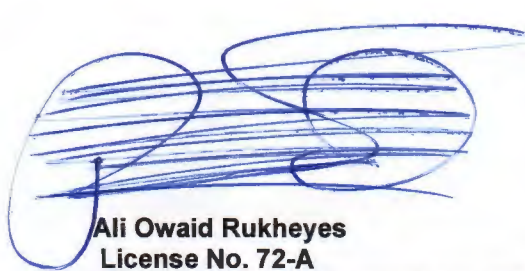
#### **Report on other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, no violations of the Company's Law No.1 of 2016, as amended, or of the Articles of Association of the Company have occurred during the nine month period ended 30 September 2016 that might have had a material effect on the business of the Group or on its interim condensed consolidated financial position.



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**Member of PKF International**

Kuwait  
15 November 2016



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Arabi Group Holdings – K.S.C.P  
Kuwait

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2016 (Unaudited)

Exhibit - A

	Note	Kuwaiti Dinars		
		30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents		5,378,597	3,927,485	3,493,116
Trade and other receivables		69,730,373	57,741,970	57,133,443
Investment at fair value through profit or loss	5	5,667	5,658	5,156
Due from related parties		4,878,198	4,778,338	4,640,431
Contract in progress – due from customers		3,375,588	3,270,743	3,038,095
Inventories		27,045,625	24,627,668	28,923,076
		<u>110,414,048</u>	<u>94,351,862</u>	<u>97,233,317</u>
<b>Non-current assets</b>				
Investments available for sale	5	2,412,145	3,486,132	3,597,154
Investment in associates	6	69,304,770	69,304,770	69,304,770
Investment in properties	7	2,350,000	2,350,000	2,415,000
Investments in unconsolidated subsidiaries	8	551,996	551,774	559,925
Property and equipment		21,551,862	24,435,806	18,288,929
Goodwill		195,964	195,964	395,964
		<u>96,366,737</u>	<u>100,324,446</u>	<u>94,561,742</u>
<b>Total assets</b>		<u>206,780,785</u>	<u>194,676,308</u>	<u>191,795,059</u>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Bank overdrafts and promissory notes	9	23,896,426	24,691,347	24,357,963
Due to related parties		12,094,591	10,998,652	9,512,612
Trade and other payables	10	47,395,421	54,224,633	58,689,288
Term loans	11	53,513,972	34,968,938	35,071,533
		<u>136,900,410</u>	<u>124,883,570</u>	<u>127,631,396</u>
<b>Non current liabilities</b>				
Noncurrent portion of term loans	11	37,498,539	39,690,971	34,405,518
Post employment benefits		3,302,781	2,922,381	2,956,367
		<u>40,801,320</u>	<u>42,613,352</u>	<u>37,361,885</u>
<b>Equity</b>				
<b>Attributable to the Company's shareholders</b>				
Capital	12	17,296,224	16,472,594	16,472,594
Share premium		7,877,292	7,877,292	7,877,292
Statutory reserve		502,614	502,614	462,576
Voluntary reserve		272,663	502,614	462,576
Treasury share reserve		17,230	17,230	17,230
Revaluation reserve	13	2,223,931	2,223,931	2,223,931
Foreign currency translation adjustments		78,498	98,968	87,321
Fair valuation reserve		229,013	(1,743,063)	(1,632,041)
Retained (losses)/earnings		(1,467,195)	593,679	987,335
Treasury shares	14	(1,381,525)	(1,381,525)	(1,381,525)
		<u>25,648,745</u>	<u>25,164,334</u>	<u>25,577,289</u>
<b>Non-controlling interests</b>		<u>3,430,310</u>	<u>2,015,052</u>	<u>1,224,489</u>
<b>Total equity</b>		<u>29,079,055</u>	<u>27,179,386</u>	<u>26,801,778</u>
<b>Total liabilities and equity</b>		<u>206,780,785</u>	<u>194,676,308</u>	<u>191,795,059</u>

The accompanying notes are an integral part of this interim condensed consolidated financial information.

  
Tareq Mohammed Al-Maoushargi  
Chairman



**Arabi Group Holdings – K.S.C.P**  
**Kuwait**

**Interim Condensed Consolidated Statement of Income for the period ended 30 September 2016**  
**(Unaudited)**

**Exhibit - B**

	Kuwaiti Dinars		Kuwaiti Dinars		
	3 months ended 30		9 months ended 30		
	2016	2015	2016	2015	
Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Sales	9,206,486	10,251,203	26,945,061	33,796,244	
Contract revenue	15,861,711	11,045,461	36,941,408	37,301,681	
	<u>25,068,197</u>	<u>21,296,664</u>	<u>63,886,469</u>	<u>71,097,925</u>	
Cost of sales	(5,842,411)	(7,931,092)	(18,809,142)	(26,780,137)	
Contract costs	(13,844,328)	(8,665,686)	(31,476,944)	(31,143,251)	
	<u>(19,686,739)</u>	<u>(16,596,778)</u>	<u>(50,286,086)</u>	<u>(57,923,388)</u>	
<b>Gross profit</b>	<b>5,381,458</b>	<b>4,699,886</b>	<b>13,600,383</b>	<b>13,174,537</b>	
General and administrative expenses	(2,768,098)	(2,300,882)	(7,423,188)	(6,814,430)	
Depreciation	(147,083)	(156,204)	(440,052)	(467,005)	
Provision for doubtful debts	(8,420)	(23,976)	(70,058)	(348,379)	
Provision for slow moving inventory	(38,838)	(51,922)	(210,409)	(132,260)	
Profit from operations	<u>2,419,019</u>	<u>2,166,902</u>	<u>5,456,676</u>	<u>5,412,463</u>	
Unrealized loss from investments at fair value through profit or loss	(351)	(893)	9	(1,776)	
Impairment loss of investments available for sale	(2,406,701)	-	(2,406,701)	-	
Share of profit/(loss) of unconsolidated subsidiaries	371	(44,904)	222	(41,453)	
Other income	793,549	538,029	1,623,628	1,756,956	
Interest expenses	<u>(1,998,211)</u>	<u>(2,462,073)</u>	<u>(5,656,845)</u>	<u>(6,081,156)</u>	
<b>(Loss)/profit before contribution to KFAS, Zakat and NLST</b>	<b>(1,192,324)</b>	<b>197,061</b>	<b>(983,011)</b>	<b>1,045,034</b>	
KFAS	(3,445)	(649)	(15,954)	(5,985)	
Zakat	(9,764)	(3,828)	(19,464)	(19,847)	
National Labour Support Tax (NLST)	17,479	(9,567)	-	(49,620)	
<b>(Loss)/profit for the period</b>	<b><u>(1,188,054)</u></b>	<b><u>183,017</u></b>	<b><u>(1,018,429)</u></b>	<b><u>969,582</u></b>	
Attributable to:					
Equity holders of the Company	(1,363,401)	73,023	(1,467,195)	589,605	
Non-controlling interest	175,347	109,994	448,766	379,977	
	<u>(1,188,054)</u>	<u>183,017</u>	<u>(1,018,429)</u>	<u>969,582</u>	
Basic and diluted earnings per share for the period (fils)	15	<u>(8.21)</u>	<u>0.44</u>	<u>(8.83)</u>	<u>3.54</u>

The accompanying notes are an integral part of this interim consolidated financial information.

Arabi Group Holdings – K.S.C.P  
Kuwait

Interim Condensed Consolidated Statement of Comprehensive Income for the period ended 30  
September 2016 (Unaudited)

	Exhibit - C			
	Kuwaiti Dinars		Kuwaiti Dinars	
	3 months ended 30 September		9 months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
<b>(Loss)/profit for the period</b>	(1,188,054)	183,017	(1,018,429)	969,582
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to income statement</i>				
Changes in fair value of available for sale investment	(143,986)	-	(143,986)	-
Impairment loss on investment available for sale transferred to the interim condensed consolidated statement of income	2,406,701	-	2,406,701	-
Change in foreign currency translation	(6,656)	13,748	(17,509)	84,947
<b>Total comprehensive income for the period</b>	<u>1,068,005</u>	<u>196,765</u>	<u>1,226,777</u>	<u>1,054,529</u>
Attributable to:				
Equity holders of the Company	602,629	84,835	484,411	679,472
Non-controlling interest	465,376	111,930	742,366	375,057
	<u>1,068,005</u>	<u>196,765</u>	<u>1,226,777</u>	<u>1,054,529</u>

The accompanying notes are an integral part of this interim consolidated financial information



Arabi Group Holdings – K.S.C.P  
Kuwait

Interim Condensed Consolidated Statement of Changes in Equity for the period ended 30 September 2016 (Unaudited)

Exhibit – D

	Kuwaiti Dinars										Non controlling interest	Total Equity	
	Equity attributable to the Parent Company's Shareholders												
	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares reserve	Revaluation reserve	Foreign currency translation adjustments	Fair valuation reserve	Retained (losses)/ Earnings	Treasury shares			Total
Balance at 31 December 2015- Audited	16,472,594	7,877,292	502,614	502,614	17,230	2,223,931	98,968	(1,743,063)	593,679	(1,381,525)	25,164,334	2,015,052	27,179,386
Issue of bonus shares note 12	823,630	-	-	(229,951)	-	-	-	-	(593,679)	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	(20,470)	1,972,076	(1,467,195)	-	484,411	742,366	1,226,777
Contribution by non controlling interest	-	-	-	-	-	-	-	-	-	-	-	672,892	672,892
Balance at 30 September 2016 - Unaudited	17,296,224	7,877,292	502,614	272,663	17,230	2,223,931	78,498	229,013	(1,467,195)	(1,381,525)	25,648,745	3,430,310	29,079,055
Balance at 31 December 2014- Audited	14,975,085	7,877,292	462,576	462,576	17,230	2,223,931	(2,546)	(1,632,041)	1,895,239	(1,381,525)	24,897,817	849,432	25,747,249
Issue of bonus shares note 12	1,497,509	-	-	-	-	-	-	-	(1,497,509)	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	89,867	-	589,605	-	679,472	375,057	1,054,529
Balance at 30 September 2015 - Unaudited	16,472,594	7,877,292	462,576	462,576	17,230	2,223,931	87,321	(1,632,041)	987,335	(1,381,525)	25,577,289	1,224,489	26,801,778

The accompanying notes are an integral part of this interim condensed consolidated financial information.



**Arabi Group Holdings - K.S.C.P**  
**Kuwait**

**Interim Condensed Consolidated Statement of Cash Flows for the period ended 30 September 2016**  
**(Unaudited)**

	<b>Exhibit - E</b>	
	Kuwaiti Dinars	
	9 months ended 30	
	September	
	2016	2015
	(Unaudited)	(Unaudited)
<b>Cash flows – operating activities</b>		
(Loss)/profit for the period	(1,018,429)	969,582
<i>Adjustments for:</i>		
Depreciation and amortization	1,381,622	1,180,409
Gain on sale of property and equipment	(24,123)	(362,094)
Impairment loss on investment available for sale	2,406,701	-
Unrealized (profit)/loss from investments at fair value through profit or loss	(9)	1,776
Shares of (profit)/loss from unconsolidated subsidiaries	(222)	41,453
Interest expense	5,656,845	6,081,156
Operating profit before changes in working capital	8,402,385	7,912,282
(Increase)/decrease in trade and other receivables	(11,988,403)	64,862,640
Increase in due from related parties	(99,860)	(535,419)
(Increase)/decrease in due from customers for contract work	(104,845)	770,221
Increase in inventories	(2,417,957)	(4,677,407)
Increase in trade and other payables	(6,829,212)	4,101,397
Increase in due to related parties	1,095,939	1,162,065
Increase in post-employment benefits	380,400	459,130
Net cash (used in)/from operating activities	<u>(11,561,553)</u>	<u>74,054,909</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment – net	(1,832,830)	(2,758,609)
Proceeds from sale of property and equipment	3,359,276	558,331
Disposal of investment in associate	-	(69,304,769)
Disposal of available for sale of investments	930,000	-
Net cash from/(used in) investing activities	<u>2,456,446</u>	<u>(71,505,047)</u>
<b>Cash flows from financing activities</b>		
Increase in bank overdrafts and promissory notes	(794,921)	5,344,420
Increase/(decrease) in term loans	16,352,602	(2,434,655)
Interest paid	(5,656,845)	(6,081,156)
Contribution by non-controlling interest	672,892	-
Net cash from/(used in) financing activities	<u>10,573,728</u>	<u>(3,171,391)</u>
Net increase/(decrease) in cash on hand and at banks	1,468,621	(621,529)
Effect of exchange rate changes on cash and cash equivalents	(17,509)	84,947
Cash and cash equivalents at the beginning of the period	3,927,485	4,029,698
Cash and cash equivalents at the end of the period	<u>5,378,597</u>	<u>3,493,116</u>

The accompanying notes are an integral part of this interim consolidated financial information



## 1. Establishment and activities of the Company

Arabi Group Holdings K.S.C.P (the Parent Company) is a Kuwaiti shareholding company incorporated on 5 December 1982 and is listed on the Kuwait Stock Exchange. The registered office of the Parent Company is P.O. Box 4090, Safat, 13041, Kuwait and its principal activities are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and participating in the establishment of such companies
- Participating in the management of companies in which it owns shares.
- Lending money to companies in which it owns shares, and guaranteeing third party loans in companies where it owns 20% or more of the capital of the borrowing company.
- Owning industrial rights such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies within or outside the State of Kuwait.
- Owning real estate and movable property to conduct its operations.

The Parent Company and its subsidiaries: Arabi Company W.L.L., Arabi Engineering and Mechanical Works Company W.L.L. and Arabi Enertech Co. KSCC are collectively referred to as "the Group" in this interim condensed consolidated financial information.

This interim condensed consolidated financial information was authorized for issue by the Board of Directors on 15 November 2016.

The annual financial statements of the Group for the year ended 31 December 2015 were approved at the Annual General Meeting held on 20 June 2016.

## 2. Basis of presentation

This 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 interim condensed consolidated financial information are consistent with those used in preparation of annual financial statements for the year ended 31 December 2015.

This interim condensed consolidated financial information does not contain all information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016. For further information, refer to the financial statements and notes thereto included in the Group's annual financial statements for the year ended 31 December 2015.

## 3. Critical accounting judgment and estimates

*Receivable from contract customers*

a) *Recoverability from contract customers – trade receivables & contract in progress*

(i) *Legal receivables*

The Group has receivables amount of KD 11,347,255 (31 December 2015: KD 11,622,121; 30 September 2015: KD 11,558,450) from contract customers which are under legal dispute. Presently, the matters are referred by Court and are under various stages. The Group's management is confident and it estimates that the carrying amount of the assets will be recovered in full and are not impaired.



(ii) *Non legal receivables*

The Group has net receivables amount of KD 1,673,041 (31 December 2015: KD 1,561,508; 30 September 2015: KD 1,673,041) from contract customers with respect to partly or completed contracts. The management is in the process of obtaining acceptance from the contract customers towards work executed and completing the contacts. The Group's management is confident and it estimates that the carrying amount of the assets will be recovered in full and is not impaired.

With respect to the above total receivables of KD 13,020,296 (31 December 2015: KD 13,183,629; 30 September 2015: KD 13,231,491); KD 10,489,418 (31 December 2015: KD 10,897,946; 30 September 2015: KD 10,709,635) is included in trade receivables and KD 2,530,878 (31 December 2015: KD 2,285,683; 30 September 2015: KD 2,521,856) is included in contract in progress.

**4. Subsidiaries and associates**

The principal subsidiaries and associates are:

Subsidiary	Country of incorporation	Percentage of Ownership		
		30 September 2016	31 December 2015	30 September 2015
Arabi Company WLL	Kuwait	100%	100%	100%
Arabi Engineering and Mechanical Works Company WLL	Kuwait	100%	100%	100%
Arabi Enertech Co KSCC	Kuwait	73.08%	73.08%	73.08%
<b>Held through Arabi Company W.L.L.</b>				
Gulf Services & Industrial Supplies Co. L.L.C.	Oman	100%	100%	100%
Arabi Company – Qatar W.L.L.	Qatar	100%	100%	100%
Altech Corporation Limited (Formerly Jayakrishna Aluminium Limited)	India	90.03%	90.03%	90.03%
Warba Mechanical Equipments L.L.C.	UAE	70%	70%	70%
<b>Associates</b>				
Kuwait Health Assurance Company KSCC	Kuwait	26%	26%	26%
Agricultural Environmental Projects Company W.L.L.	Kuwait	40%	40%	40%

0.05% of the ownership in Arabi Company WLL and 0.20% of the ownership in Arabi Engineering and Mechanical Works Company WLL are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of these shares in the subsidiaries.

The Parent Company has consolidated the interim condensed financial information (unaudited) of all its subsidiaries which are been reviewed by independent auditors for the nine months ended 30 September 2016 while preparing this interim condensed consolidated financial information (unaudited). Total assets of the subsidiaries amounted to KD 144,284,522 as of 30 September 2016 (30 September

**Notes to the Interim Condensed Consolidated Financial Information – 30 September 2016 (Unaudited)**

2015: KD 123,512,984) and the subsidiaries net profit was KD 2,209,638 for the nine months ended 30 September 2015 (30 September 2015: KD 2,816,196).

**5. Investments**

	Kuwaiti Dinars		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
<b>Investments at fair value through profit &amp; loss:</b>			
Quoted securities held for trading	5,667	5,658	5,156
	<u>5,667</u>	<u>5,658</u>	<u>5,156</u>
<b>Investments available for sale:</b>			
Unquoted securities	2,412,145	3,486,132	3,597,154
	<u>2,412,145</u>	<u>3,486,132</u>	<u>3,597,154</u>

Unquoted investments of KD 1,280,869 (31 December 2015: KD 2,210,869; 30 September 2015: KD 2,210,869) are carried at cost less impairment loss as their fair value cannot be reliably measured.

**6. Investment in associates**

The Group has the following investment in associates:

	Percentage of ownership	Kuwaiti Dinars		
		30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Associates				
Kuwait Health Assurance Company KSCC	26%	69,304,769	69,304,769	69,304,769
Agricultural Environmental Projects Company W.L.L	40%	1	1	1
		<u>69,304,770</u>	<u>69,304,770</u>	<u>69,304,770</u>

Following are the movement on investment in associates:

	Kuwaiti Dinars		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Opening balance	69,304,770	1	1
Transfer from trade and other receivables	-	69,304,769	69,304,769
Closing balance	<u>69,304,770</u>	<u>69,304,770</u>	<u>69,304,770</u>



**Kuwait Health Assurance Company KSCC (KHAC) in Kuwait**

The Group has been awarded the bid to invest in the equity shares equivalent to 26% in establishing a new company – Kuwait Health Assurance Company (KHAC) in Kuwait as a strategic investor against tender issued from Kuwait Investment Authority (on behalf of the Government of Kuwait).

During the current quarter, all the formalities of establishing a new company (KHAC) have been completed and accordingly, the Group has accounted KD 69,304,769 as investment in associates as per IAS 28. Previously, it was disclosed as advance under trade and other receivables. Investment in associates includes the purchase price and other costs attributable to its acquisition.

The investment in associate is carried at initial cost which consists of KD 29,900,000 towards 50% of the share capital of KHAC subscribed by the Group, KD 35,880,000 towards amount paid by the Group as added value for winning the bid as a strategic investor for obtaining 26% the equity shares in KHAC, and KD 3,524,769 as other transaction costs.

The associate has not commenced its operation and the financial statements are not available to report Group's share in associate's net assets.

The Group has further commitment of KD 29,900,000 as its capital contribution towards balance 50% uncalled and unpaid share capital of KHAC.

The Group has undertaking to mortgage entire 26% its share in KHAC against loans obtained by the Group as disclosed in note 11.

**Agricultural Environmental Projects Company W.L.L, Kuwait**

The Group does not recognize future loss of Agricultural Environmental Projects Company W.L.L, as its share of losses in associate exceeds its interest in the associate. The assets, liabilities, revenues and profit/ (loss) of associate based on their management accounts are as follows:

	Kuwaiti Dinars			
	Assets	Liabilities	Revenue	Net (loss)/ profit
30 September 2016 (Unaudited)	2,272,310	2,850,371	83,253	(174,654)
31 December 2015 (Audited)	2,458,655	2,817,063	1,002,449	24,610
30 September 2015 (Unaudited)	2,375,373	3,010,834	475,247	(252,443)

The shares of both above associates are not presently publicly listed on stock exchange and hence published price quotes are not available.

**7. Investment in properties**

	Kuwaiti Dinars		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Opening balance	2,350,000	2,415,000	2,415,000
Income on fair value of investment properties	-	(65,000)	-
Closing balance	2,350,000	2,350,000	2,415,000

The investment properties have been provided as security against term loan availed from the local bank.

**8. Investment in unconsolidated subsidiaries**

Name	Percentage of holding %	Kuwaiti Dinars		
		30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Daleel International Co. W.L.L.	100	-	-	-
Call to Connect India Private Limited	60	10,178	9,834	17,984
Workers Equity Holding – B.S.C. (Closed)	60	441,818	441,940	441,941
Mobivision Holding Company – B.S.C. (Closed)	60	-	-	-
Arabi Aviation Company	100	100,000	100,000	100,000
KEY BS JLT- WLL	100	-	-	-
		551,996	551,774	559,925

The Group has not consolidated these subsidiaries since they are not material to the interim condensed consolidated financial information. The Group's share of profit from these subsidiaries for the nine months ended 30 September 2016 has been recognised based on their management accounts.

**9. Bank overdrafts and promissory notes**

The effective interest rates on bank overdraft facilities and promissory notes were 2% to 4% per annum (31 December 2015 and 30 September 2015 ranging from 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 2,973,381 (31 December 2015: KD 3,373,499; 30 September 2015: KD 3,723,064) carries an effective interest rate of 2% to 7.50% (31 December 2015: 2% to 8%; 30 September 2015: 2% to 7.50%) per annum over three months LIBOR.

These facilities are secured by the personal guarantees of the shareholders, corporate guarantee of the Group and mortgage of Group's freehold land and buildings and assignment of contract proceeds in favour of the lending banks.



## 10. Trade and other payables

Trade and other payables includes KD 21,528,000 (31 December 2015: KD 21,528,000; 30 September 2015: KD 21,528,000) towards funds availed through a third party for Group's investment in associate KHAC. The settlement arrangement with third party is under negotiation.

## 11. Term loans

	Kuwaiti Dinars		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
<b>Current</b>			
Short term loans	41,644,034	23,842,708	18,118,299
Current portion of long term loans	11,869,938	11,126,230	16,953,234
	<u>53,513,972</u>	<u>34,968,938</u>	<u>35,071,533</u>
<b>Non current</b>			
Noncurrent portion of long term loans	37,498,539	39,690,971	34,405,518
	<u>91,012,511</u>	<u>74,659,909</u>	<u>69,477,051</u>

The effective interest rate on short term loans which are repayable within one year was 4% to 8% per annum (31 December 2015: 4% to 8%; 30 September 2015: 4% to 8% per annum). These loans are secured by the personal guarantees of shareholders, guarantees from the Company and certain receivables.

Long term loans carry an effective interest rate of 4% to 7.5% per annum (31 December 2015: 4% to 7.5%; 30 September 2015: 4% to 7.5% per annum). These loans are secured against guarantees from the Company, personal guarantee and shares of shareholders, mortgage of Group's properties, investment properties, certain contract receivables, mortgage of third party properties, term deposits of subsidiary, term deposits of related parties, part of proceeds from the receivables of subsidiaries and related parties and undertaking to mortgage entire 26% of Company's share of Kuwait Health Assurance Company KSCC. The portion of the loans maturing within one year from the financial position date is shown as a current liability.

## 12. Equity

The authorized share capital of the Company comprises of 172,962,242 shares of 100 fils each (31 December 2015: 164,725,945 and 30 September 2015: 164,725,945 shares of 100 fils each).

The issued and paid up share capital of the Company comprises of 172,962,242 of 100 fils each (31 December 2015: 164,725,945 and 30 September 2014: 164,725,945 shares of 100 fils each).

At an Extraordinary General Assembly held on 20 June 2016 the shareholders of the Parent Company resolved to amend the Articles of Association to increase the authorized share capital of the Parent Company from KD 16,472,594 (represented by 164,725,945 shares of 100 fils each) to KD 17,296,224 (represented by 172,962,242 shares of 100 fils each). This amendment was entered in the commercial register on 1 August 2016.

### *Bonus issue*

At the Annual General Assembly held on 20 June 2016, the shareholders approved the Board of Directors recommendation to distribute bonus shares of 5% amounting to KD 593,679 from retained

**Notes to the Interim Condensed Consolidated Financial Information – 30 September 2016 (Unaudited)**

earnings and KD 229,951 from voluntary reserves to shareholders registered in the Parent Company's records as of the date of Annual General Meeting.

**13. Revaluation reserve**

Revaluation reserve represents the Parent Company's share of surplus arising on revaluation of one of the subsidiaries building and lease hold land. The management of the Group has decided to revalue said assets every five years.

**14. Treasury shares**

	Kuwaiti Dinars		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Number of shares (share)	6,836,655	6,511,518	6,511,518
Percentage of issued shares (%)	3.95%	3.95%	3.95%
Market value (KD)	376,016	533,944	553,479
Cost (KD)	1,381,525	1,381,525	1,381,525

**15. Earnings per share attributable to equity holders of the Company**

Earnings per share based on the weighted average number of shares outstanding the period is as follows:

	Kuwaiti Dinars		Kuwaiti Dinars	
	3 months ended 30 September		9 months ended 30 September	
	2016	2015	2016	2015
(Loss)/profit attributable to equity holders of the Company	<u>(1,363,401)</u>	<u>73,023</u>	<u>(1,467,195)</u>	<u>589,605</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding during the period	<u>166,125,587</u>	<u>166,450,859</u>	<u>166,125,487</u>	<u>166,450,859</u>
<b>Earnings per transactions – Basic and diluted (fils)</b>	<u>(8.21)</u>	<u>0.44</u>	<u>(8.83)</u>	<u>3.54</u>



#### 16. Related party transactions

During the period ended 30 September 2016 the Group has entered into various transactions with related parties in the normal course of business including financing and other related services on terms approved by the management. Balances with related parties are disclosed in the statement of financial position. Transactions with related parties included in the condensed consolidated statement of income are as follows;

	Kuwaiti Dinars		Kuwaiti Dinars	
	3 months ended 30 September		9 months ended 30 September	
	2016	2015	2016	2015
Key management compensation	46,500	46,500	139,500	139,500
General and administrative expenses	15,750	15,750	47,250	47,250
Finance charges	90,438	89,458	269,346	265,417
Interest income	34,136	29,681	34,136	29,681

#### 17. Segment information

The Group operating segments are determined based on the reports reviewed by the chief executive function that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

These operations segments meet the criteria for reportable segments and are follows:

- Retail operations : Consists of sale equipment and tools.
- Engineering operations : Consists of mechanical projects and sale of related equipment.
- Electrical operations : Consists of electrical projects and sale of related equipment.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The Group measures the performance of operating segments through measure of segment profit or loss net of taxes in management and reporting system.

The following table presents revenue and results information regarding the Group's reportable segment.

	Kuwaiti Dinars				Total
	Retail operations	Engineering operations	Electrical operations	Unallocated items and eliminations	
Nine months ended 30 September 2016 (Unaudited)					
Segment revenue	<u>22,239,616</u>	<u>39,354,942</u>	<u>2,328,093</u>	<u>(36,182)</u>	<u>63,886,469</u>
Segment results	<u>449,840</u>	<u>1,737,260</u>	<u>22,538</u>	<u>(3,228,067)</u>	<u>(1,018,429)</u>
Nine months ended 30 September 2015 (Unaudited)					
Segment revenue	<u>22,939,690</u>	<u>47,906,802</u>	<u>263,569</u>	<u>(12,136)</u>	<u>71,097,925</u>
Segment results	<u>1,300,855</u>	<u>1,514,348</u>	<u>993</u>	<u>(1,846,614)</u>	<u>969,582</u>

**18. Contingent liabilities**

The group was contingently liable in respect of the following

	Kuwaiti Dinars		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Documentary letters of credit	3,991,862	2,131,805	1,877,213
Letters of guarantees	53,336,062	47,591,837	44,589,971
Letters of acceptance	420,152	158,112	627,335
	<u>57,748,076</u>	<u>49,881,754</u>	<u>47,094,519</u>

**19. General Assembly of Shareholders**

The shareholders Annual General Assembly held on 20 June 2016 approved the annual audited consolidated financial statements for the year ended 31 December 2015 and approved the Board of Directors recommendation to distribute bonus shares of 5% amounting to KD 593,679 from retained earnings and KD 229,951 from voluntary reserves to shareholders registered in the Parent Company's record as of the date of Annual General Meeting.