

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

**Interim Condensed Consolidated
Financial Information
30 June 2014 (Unaudited)**

PKF

**Accountants &
business advisers**

AL – WAHA
AUDITING OFFICE
ALI OWAIID RUKHEYEES



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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 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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

Without qualifying our conclusion we draw attention to note 3 to the interim condensed consolidated financial information which indicates that as of 30 June 2014 two of the subsidiaries has reported accumulated deficit that exceeds three quarters of its share capital. These conditions, along with other matters as set forth in note 3 indicate uncertainty about the subsidiaries ability to continue as going concern. The interim condensed consolidated financial information for the period ended 30 June 2014 does not include any adjustments that might result from the outcome of this uncertainty.

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Further, we draw attention to note 4 to the interim condensed consolidated financial information regarding receivables from contract customers which are under legal dispute and contract in progress and receivables from related party. 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 June 2014 does not include any adjustments that might results from uncertainties regarding the outcome of Court judgments and acceptance and completion of contracts and recovery of dues from related party.

We draw attention to note 6 to the interim condensed consolidated financial information towards funds availed through a third party for Group's payments in proposed establishment of a new company and the arrangement with third party are under process and 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.25 of 2012, as amended, or of the Articles of Association of the Company have occurred during the six month period ended 30 June 2014 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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14 August 2014



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Interim Condensed Consolidated Statement of Financial Position as at 30 June 2014 (Unaudited)

Exhibit - A

	Note	Kuwaiti Dinars		
		30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Assets				
Current Assets				
Cash and cash equivalents		1,887,115	1,164,878	1,129,254
Trade and other receivables	6	113,904,476	74,694,595	34,852,753
Investment at fair value through profit or loss	7	8,584	8,563	10,653
Due from related parties		5,331,290	5,055,989	4,724,451
Contract in progress – due from customers		4,706,069	5,381,182	4,892,944
Inventories		18,607,975	14,676,533	11,863,212
		<u>144,445,509</u>	<u>100,981,740</u>	<u>57,473,267</u>
Non-current assets				
Investments available for sale	7	4,141,457	3,211,457	3,514,685
Investment in associate	8	1	1	1
Investment in properties	9	2,144,000	2,144,000	1,743,750
Investments in unconsolidated subsidiaries	10	589,897	589,020	575,237
Property and equipment		9,210,723	8,333,240	8,162,324
Goodwill		595,964	595,964	795,964
		<u>16,682,042</u>	<u>14,873,682</u>	<u>14,791,961</u>
Total assets		<u>161,127,551</u>	<u>115,855,422</u>	<u>72,265,228</u>
Liabilities and equity				
Current liabilities				
Bank overdrafts and promissory notes	11	18,614,201	17,289,162	15,067,923
Due to related parties		8,096,881	1,630,242	772,238
Trade and other payables	12	42,045,176	36,469,284	16,091,058
Term loans	13	43,424,231	14,182,702	8,637,447
		<u>112,180,489</u>	<u>69,571,390</u>	<u>40,568,666</u>
Non current liabilities				
Noncurrent portion of term loans	13	23,612,134	21,627,525	7,232,883
Post employment benefits		2,319,257	2,209,912	2,232,316
		<u>25,931,391</u>	<u>23,837,437</u>	<u>9,465,199</u>
Equity				
Attributable to the Company's shareholders				
Capital	14	14,261,986	14,261,986	14,261,986
Proposed bonus shares		713,099	713,099	-
Share premium		7,877,292	7,877,292	7,877,292
Statutory reserve		209,763	209,763	95,331
Voluntary reserve		209,763	209,763	95,331
Treasury share reserve		17,230	17,230	17,230
Revaluation reserve	15	1,430,016	1,430,016	1,430,016
Foreign currency translation adjustments		(98,553)	(99,605)	(73,190)
Fair valuation reserve		(1,582,659)	(1,582,659)	(1,468,720)
Retained earnings		646,167	126,859	528,522
Treasury shares	16	(1,381,525)	(1,328,065)	(1,082,550)
		<u>22,302,579</u>	<u>21,835,679</u>	<u>21,681,248</u>
Non-controlling interests		<u>713,092</u>	<u>610,916</u>	<u>550,115</u>
Total equity		<u>23,015,671</u>	<u>22,446,595</u>	<u>22,231,363</u>
Total liabilities and equity		<u>161,127,551</u>	<u>115,855,422</u>	<u>72,265,228</u>

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

Tareq Mohammed Al Maoushargi
Chairman

Interim Condensed Consolidated Statement of Income for the period ended 30 June 2014 (Unaudited)

Exhibit - B

	Kuwaiti Dinars		Kuwaiti Dinars		
	3 months ended 30 June		6 months ended 30 June		
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)	
	Note				
Sales		13,801,233	7,233,244	20,205,512	14,612,258
Contract revenue		6,039,567	3,755,490	13,014,465	7,759,861
		<u>19,840,800</u>	<u>10,988,734</u>	<u>33,219,977</u>	<u>22,372,119</u>
Cost of sales		(11,605,242)	(5,256,102)	(16,694,463)	(11,657,737)
Contract costs		(4,974,416)	(2,604,314)	(10,384,412)	(5,056,861)
		<u>(16,579,658)</u>	<u>(7,860,416)</u>	<u>(27,078,875)</u>	<u>(16,714,598)</u>
Gross profit		3,261,142	3,128,318	6,141,102	5,657,521
General and administrative expenses		(1,913,408)	(2,503,655)	(3,960,405)	(4,449,487)
Depreciation		(148,738)	(127,775)	(284,676)	(258,796)
Provision for doubtful debts		(6,502)	(14,209)	(13,022)	(20,737)
Provision for slow moving inventory		(32,295)	(54,879)	(64,596)	(82,608)
Profit from operations		<u>1,160,199</u>	<u>427,800</u>	<u>1,818,403</u>	<u>845,893</u>
Unrealized gain /(loss) from investments at fair value through profit or loss		(922)	(187)	21	(801)
Share of profit/(loss) of unconsolidated subsidiaries		2,697	(120,200)	877	(124,409)
Other income		336,542	773,643	936,807	1,298,029
Interest expenses		(1,180,643)	(718,771)	(2,097,717)	(1,378,251)
Profit before contribution to KFAS, Zakat and NLST		317,873	362,285	658,391	640,461
KFAS		(2,281)	(2,869)	(4,997)	(5,042)
Zakat		(4,497)	(5,187)	(8,830)	(8,464)
National Labour Support Tax (NLST)		(11,241)	(12,968)	(22,074)	(21,162)
Profit for the period		<u>299,854</u>	<u>341,261</u>	<u>622,490</u>	<u>605,793</u>
Attributable to:					
Equity holders of the Company		235,420	297,794	519,308	525,547
Non-controlling interest		64,434	43,467	103,182	80,246
		<u>299,854</u>	<u>341,261</u>	<u>622,490</u>	<u>605,793</u>
Basic and diluted earnings per share for the period (fils)	17	<u>1.72</u>	<u>2.15</u>	<u>3.79</u>	<u>3.79</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 June
2014 (Unaudited)

	Exhibit - C			
	Kuwaiti Dinars		Kuwaiti Dinars	
	3 months ended 30 June		6 months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Profit for the period	299,854	341,261	622,490	605,793
Other comprehensive income:				
Items that may be reclassified subsequently to income statement				
Change in foreign currency translation	6,239	(5,267)	46	23,880
Total comprehensive income for the period	<u>306,093</u>	<u>335,994</u>	<u>622,536</u>	<u>629,673</u>
Attributable to:				
Equity holders of the Company	241,775	287,688	520,360	547,307
Non-controlling interest	64,318	48,306	102,176	82,366
	<u>306,093</u>	<u>335,994</u>	<u>622,536</u>	<u>629,673</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 June 2014 (Unaudited)

Exhibit – D

	Kuwaiti Dinars											Non controlling interest	Total Equity	
	Equity attributable to the Parent Company's Shareholders										Total			
	Capital	Proposed bonus shares	Share premium	Statutory reserve	Voluntary reserve	Treasury shares reserve	Revaluation reserve	Foreign currency translation adjustments	Fair valuation reserve	Retained Earnings/ Accumulated deficit)				Treasury shares
Balance at 31 December 2013- Audited	14,261,986	713,099	7,877,292	209,763	209,763	17,230	1,430,016	(99,605)	(1,582,659)	126,859	(1,328,065)	21,835,679	610,916	22,446,595
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	1,052	-	519,308	-	520,360	102,176	622,536
Purchase of treasury shares note 16	-	-	-	-	-	-	-	-	-	-	(53,460)	(53,460)	-	(53,460)
Balance at 30 June 2014	<u>14,261,986</u>	<u>713,099</u>	<u>7,877,292</u>	<u>209,763</u>	<u>209,763</u>	<u>17,230</u>	<u>1,430,016</u>	<u>(98,553)</u>	<u>(1,582,659)</u>	<u>646,167</u>	<u>(1,381,525)</u>	<u>22,302,579</u>	<u>713,092</u>	<u>23,015,671</u>
Balance at 31 December 2012- Audited	13,582,844	679,142	7,877,292	95,331	95,331	17,230	1,430,016	(94,950)	(1,468,720)	2,975	(1,082,550)	21,133,941	467,749	21,601,690
Issue of bonus shares	679,142	(679,142)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	21,760	-	525,547	-	547,307	82,366	629,673
Balance at 30 June 2013	<u>13,582,844</u>	<u>-</u>	<u>7,877,292</u>	<u>95,331</u>	<u>95,331</u>	<u>17,230</u>	<u>1,430,016</u>	<u>(73,190)</u>	<u>(1,468,720)</u>	<u>528,522</u>	<u>(1,082,550)</u>	<u>21,681,248</u>	<u>550,115</u>	<u>22,231,363</u>

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 June 2014
(Unaudited)

	Exhibit - E	
	Kuwaiti Dinars	
	6 months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Cash flows – operating activities		
Profit for the period	622,490	605,793
<i>Adjustments for:</i>		
Depreciation and amortization	464,296	378,473
Gain on sale of property and equipment	(1,665)	(18,846)
Unrealized (gain) / loss from investments at fair value through profit or loss	(21)	801
Shares of (profit)/loss from unconsolidated subsidiaries	(877)	124,409
Interest expense	2,097,717	1,378,251
Operating profit before changes in working capital	3,181,940	2,468,881
Increase in trade and other receivables	(39,209,881)	(1,582,187)
(Increase) / decrease in due from related parties	(275,301)	46,024
Decrease / (increase) in due from customers for contract work	675,113	(674,951)
Increase in inventories	(3,931,442)	(17,539)
Increase in trade and other payables	5,575,892	2,528,970
Increase / (decrease) in due to related parties	6,466,639	(152,255)
Increase in post employment benefits	109,345	93,735
Net cash (used in) / from operating activities	(27,407,695)	2,710,678
Cash flows from investing activities		
Purchase of property and equipment – net	(1,343,696)	(522,160)
Proceeds from sale of property and equipment	3,582	24,511
Acquisition of available for sale of investments	(930,000)	-
Net cash used in investing activities	(2,270,114)	(497,649)
Cash flows from financing activities		
Increase/(decrease) in bank overdrafts and promissory notes	1,325,039	(383,597)
Increase/(decrease) in term loans	31,226,138	(371,418)
Interest paid	(2,097,717)	(1,378,251)
Purchase of treasury shares	(53,460)	-
Net cash from / (used in) financing activities	30,400,000	(2,133,266)
Net increase in cash on hand and at banks	722,191	79,763
Effect of exchange rate changes on cash and cash equivalents	46	23,880
Cash and cash equivalents at the beginning of the period	1,164,878	1,025,611
Cash and cash equivalents at the end of the period	1,887,115	1,129,254

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 14 August 2014.

The annual financial statements of the Group for the year ended 31 December 2013 were approved at the Annual General Meeting held on 24 June 2014.

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 2013.

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 six months ended 30 June 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. 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 2013.

3. Fundamental accounting concept

As of 30 June 2014, two of the subsidiaries, Arabi Enertech Co. K.S.C. (Closed) has an accumulated deficit of KD 6,421,580 which is 80.02% of its share capital (31 December 2013: KD 6,865,300 which is 85.55% and 30 June 2013: KD 7,276,099 which is 90.67%) and Arabi Engineering and Mechanical Works Company WLL has an accumulated deficit of KD 853,576 which is 85.36% of the share capital (31 December 2013: KD 768,627 which is 76.86% and 30 June 2013: KD 800,456 which is 80.05%). Their financial statement has been prepared on a going concern basis as their shareholders have committed to provide further ongoing financial support for their operations.

This interim condensed consolidated financial information has been prepared on a going concern basis as Group's management expects that the subsidiaries shareholders will provide adequate financial support as discussed above.

4. Critical accounting judgment and estimates

Receivable from contract customers and related parties

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

(i) Legal receivables

The Group has receivables amount of KD 10,486,059 (31 December 2013: KD 10,443,092; 30 June 2013: KD 10,427,546) 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 2,653,541 (31 December 2013: KD 2,655,041; 30 June 2013: KD 2,656,765) 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 13,139,600 (31 December 2013: KD 13,098,133; 30 June 2013: KD 13,084,311); KD 9,190,096 (31 December 2013: KD 9,193,321; 30 June 2013: KD 9,193,321) is included in trade receivables and KD 3,949,504 (31 December 2013: KD 3,904,812; 30 June 2013: KD 3,890,990) is included in contract in progress.

b) Recoverability from related party

Due from related party includes net receivable amount of KD 1,727,090 (31 December 2013: KD 1,734,655; 30 June 2013: KD 1,736,530) with respect to rendering of services for which the related party has defaulted in settling the payments. The Group's management is confident and it estimates that the amount is realizable and is not impaired.

5. Subsidiaries

The principal subsidiaries are:

Subsidiary	Country of incorporation	Percentage of ownership		
		30 June 2014	31 Dec 2013	30 June 2013
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%
Held through Arabi Company W.L.L.				
Gulf Services & Industrial Supplies Co.	Oman	100%	100%	100%
Arabi Company – Qatar W.L.L.	Qatar	100%	100%	100%
Altec Corporation Limited (Formerly Jayakrishna Aluminium Limited)	India	90.03%	90.03%	90.03%
Warba Mechanical Equipments L.L.C.	UAE Emirates	70%	70%	70%
Associate				
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 six months ended 30 June 2014 while preparing this interim condensed consolidated financial information (unaudited). Total assets of the subsidiaries amounted to KD 91,866,171 as of 30 June 2014 (30 June 2013: KD 70,217,770) and the subsidiaries net profit was KD 622,765 for the six months ended 30 June 2014 (30 June 2013: KD 459,850).

6. Trade and other receivables

The Group has been awarded a bid to invest the equity shares equivalent to 26% in establishing a new company – Kuwait Health Assurance Company (KHAC) in Kuwait against which it has total commitment of KD 97,474,000. As per bid terms, the Group is initially liable to pay KD 67,574,000 towards 50% called-up share capital against the proposed authorized capital, premium and commission. As of 30 June 2014, the Group has paid the entire initial commitment of KD 67,574,000 and is included in trade and other receivables. The said payment was mainly funded to the extent of KD 39,714,000 by availing term loans from bank, KD 5,980,000 from related parties and KD 21,528,000 through third party (note 12). The formalities of establishing a new company and Group's share of interest in it and the arrangement with third party are under process and negotiation.

Notes to the Interim Condensed Consolidated Financial Information – 30 June 2014 (Unaudited)

7. Investments

	Kuwaiti Dinars		
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Investments at fair value through profit & loss:			
Quoted securities held for trading	8,584	8,563	10,653
	<u>8,584</u>	<u>8,563</u>	<u>10,653</u>
Investments available for sale:			
Unquoted securities	4,141,457	3,211,457	3,514,685
	<u>4,141,457</u>	<u>3,211,457</u>	<u>3,514,685</u>

Unquoted investments of KD 2,679,500 (31 December 2013: KD 1,749,500; 30 June 2013: KD 1,899,500) are carried at cost less impairment loss as their fair value cannot be reliably measured.

8. Investment in associate

Agricultural Environmental Projects Company W.L.L

This represents the Group's share of investments in associates accounted for using the equity method.

	Kuwaiti Dinars		
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2012 (Unaudited)
Opening balance	1	1	1
Group's share of loss - on post recognition and acquisition as associate	-	-	-
Closing balance	<u>1</u>	<u>1</u>	<u>1</u>

The Group does not recognize future loss, as its share of losses in associate exceeds its interest in the associate. The shares of associate are not publicly listed on a stock exchange and hence published price quotes are not available. The assets, liabilities, revenues and loss of associate are as follows:

	Kuwaiti Dinars			
	Assets	Liabilities	Revenue	Net profit/ (loss)
30 June 2014 (Unaudited)	2,683,600	3,090,166	780,039	(27,964)
31 December 2013 (Audited)	2,586,794	2,945,824	2,066,754	140,937
30 June 2013 (Unaudited)	2,935,477	3,436,284	1,056,232	(1,391)

Notes to the Interim Condensed Consolidated Financial Information – 30 June 2014 (Unaudited)

9. Investment in properties

	Kuwaiti Dinars		
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Opening balance	2,144,000	1,743,750	1,743,750
Income on fair value of investment properties	-	400,250	-
Closing balance	2,144,000	2,144,000	1,743,750

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

10. Investment in unconsolidated subsidiaries

Name	Percentage of holding %	Kuwaiti Dinars		
		30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Daleel International Co. W.L.L.	100	-	-	-
Call to Connect India Private Limited	60	40,858	38,164	25,825
Workers Equity Holding – B.S.C. (Closed)	60	449,039	450,856	449,412
Mobivision Holding Company – B.S.C. (Closed)	60	-	-	-
Arabi Aviation Company	100	100,000	100,000	100,000
KEY BS JLT- WLL	100	-	-	-
		589,897	589,020	575,237

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 six months ended 30 June 2014 has been recognised based on their management accounts.

11. Bank overdrafts and promissory notes

The effective interest rates on bank overdraft facilities and promissory notes were 2% to 4% per annum (31 December 2013 and 30 June 2013 ranging from 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 4,177,555 (31 December 2013: KD 3,646,953; 30 June 2013: KD 4,741,038) carries an effective interest rate of 2% to 8% (31 December 2013: 2% to 8%; 30 June 2013: 2% to 8%) 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.

12. Trade and other payables

Trade and other payables includes KD 21,528,000 towards funds availed through a third party for Group's payment for KHAC (note 6).

13. Term loans

	Kuwaiti Dinars		
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Current			
Short term loans	39,961,839	11,018,940	5,423,745
Current portion of long term loans	3,462,392	3,163,762	3,213,702
	<u>43,424,231</u>	<u>14,182,702</u>	<u>8,637,447</u>
Non current			
Noncurrent portion of long term loans	23,612,134	21,627,525	7,232,883
	<u>67,036,365</u>	<u>35,810,227</u>	<u>15,870,330</u>

The effective interest rate on short term loans which are repayable within one year was 4% to 8% per annum (31 December 2013: 4% to 8%; 30 June 2013: 4% to 7.5% 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 2013: 4% to 7.5%; 30 June 2013: 4% to 7.5% per annum). These loans are secured against guarantees from the Company, personal guarantee of shareholders and mortgage of properties at Shuaiba, investment properties and certain contract receivables, mortgage of third party properties and undertaking to mortgage 13% of Company's share of proposed Kuwait Health Assurance Company. The portion of the loans maturing within one year from the financial position date is shown as a current liability.

Short term loans includes KD 25,715,000 availed from local bank and the effective interest is 4.5% per annum. The loan is presently granted on unsecured basis and is agreed and committed by the Group and the guarantors to legally mortgage various collaterals within six months of its approval. The Group and guarantors has agreed to mortgage properties of the Group, term deposits of related parties, personal guarantees of shareholders, part of proceeds from the receivables of subsidiaries and related parties and undertaking to mortgage 13% of Company's share of proposed Kuwait Health Assurance Company as security against said loan within the stipulated time. On compliance of all the terms and conditions by the Group, this facility will be renewed by bank thereafter for long term.

14. Equity

The authorized share capital of the Company comprises of 142,619,866 shares of 100 fils each (31 December 2013: 142,619,866 and 30 June 2013: 142,619,866 shares of 100 fils each).

The issued and paid up share capital of the Company comprises of 142,619,866 of 100 fils each (31 December 2013: 142,619,866 and 30 June 2013: 142,619,866 shares of 100 fils each).

At an Extraordinary General Assembly held on 24 June 2014 the shareholders of the Parent Company resolved to amend the Articles of Association to increase the authorized share capital of the Parent

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Company from KD 14,261,986 (represented by 142,619,866 shares of 100 fils each) to KD 14,975,085 (represented by 149,750,859 shares of 100 fils each). The regulatory approvals in this regard are under process.

Bonus issue

At the Annual General Assembly held on 24 June 2014, the shareholders approved the Board of Directors recommendation to distribute bonus shares of 5% to shareholders registered in the Parent Company's records as of the date of Annual General Meeting. The regulatory approvals in this regard are under process.

15. 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 during the year 2009. The management of the Group decided to revalue said assets every five years.

16. Treasury shares

	Kuwaiti Dinars		
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Number of shares (share)	5,637,318	5,367,318	4,112,071
Percentage of issued shares (%)	3.95%	3.76%	2.88%
Market value (KD)	1,093,640	1,062,729	674,380
Cost (KD)	1,381,525	1,328,065	1,082,550

17. 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 June		6 months ended 30 June	
	2014	2013	2014	2013
Profit / (loss) attributable to equity holders of the Company	235,420	297,794	519,308	525,548
	Shares	Shares	Shares	Shares
Weighted average number of shares outstanding during the period	136,982,548	138,507,795	136,989,963	138,507,795
Earnings per transactions – Basic and diluted (fils)	1.72	2.15	3.79	3.79

18. Related party transactions

During the period ended 30 June 2014 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		6 months ended 30 June	
	June			
	2014	2013	2014	2013
Key management compensation	34,200	66,802	68,400	160,084

19. 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	
Six months ended 30 June 2014 (Unaudited)					
Segment revenue	13,780,571	19,336,437	112,983	(10,014)	33,219,977
Segment results	263,994	443,720	(84,949)	(275)	622,490
Six months ended 30 June 2013 (Unaudited)					
Segment revenue	12,090,800	9,345,890	941,994	(6,565)	22,372,119
Segment results	137,899	334,814	(12,863)	145,943	605,793

20. Contingent liabilities

The group was contingently liable in respect of the following

	Kuwaiti Dinars		
	30 June 2014 (Unaudited)	31 December 2013 (Audited)	30 June 2013 (Unaudited)
Documentary letters of credit	2,280,521	4,618,615	3,557,538
Letters of guarantees	32,170,158	26,819,723	23,730,130
Letters of acceptance	355,233	488,103	408,076
	<u>34,805,912</u>	<u>31,926,441</u>	<u>27,695,744</u>

21. General Assembly of Shareholders

The shareholders Annual General Assembly held on 24 June 2014 approved the annual audited consolidated financial statements for the year ended 31 December 2013 and approved the Board of Directors recommendation to distribute bonus shares of 5% to shareholders registered in the Parent Company's record as of the date of Annual General Meeting.

22. Comparative figures

Certain prior period amounts have been reclassified to confirm with the current period presentation but with no effect on profit or equity.