

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

**Interim Condensed Consolidated
Financial Information
31 March 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 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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 31 March 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 31 March 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 31 March 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 three month period ended 31 March 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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Kuwait
15 May 2014



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Interim Condensed Consolidated Statement of Financial Position as at 31 March 2014 (Unaudited)

Exhibit - A

	Note	Kuwaiti Dinars		
		31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Assets				
Current Assets				
Cash and cash equivalents		1,814,837	1,164,878	1,010,873
Trade and other receivables	6	85,728,770	74,694,595	37,198,879
Investment at fair value through profit or loss	7	9,506	8,563	10,840
Due from related parties		5,118,263	5,055,989	4,542,459
Contract in progress – due from customers		4,520,491	5,381,182	4,507,920
Inventories		16,440,104	14,676,533	11,449,527
		<u>113,631,971</u>	<u>100,981,740</u>	<u>58,720,498</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	587,200	589,020	695,437
Property and equipment		9,079,036	8,333,240	7,995,589
Goodwill		595,964	595,964	795,964
		<u>16,547,658</u>	<u>14,873,682</u>	<u>14,745,426</u>
Total assets		<u>130,179,629</u>	<u>115,855,422</u>	<u>73,465,924</u>
Liabilities and equity				
Current liabilities				
Bank overdrafts and promissory notes	11	17,097,816	17,289,162	17,201,758
Due to related parties		8,134,841	1,630,242	634,015
Trade and other payables	12	39,933,701	36,469,284	14,829,325
Term loans	13	16,124,076	14,182,702	9,521,980
		<u>81,290,434</u>	<u>69,571,390</u>	<u>42,187,078</u>
Non current liabilities				
Noncurrent portion of term loans	13	23,911,625	21,627,525	7,244,003
Post employment benefits		2,267,992	2,209,912	2,139,474
		<u>26,179,617</u>	<u>23,837,437</u>	<u>9,383,477</u>
Equity				
Attributable to the Company's shareholders				
Capital	14	14,261,986	14,261,986	13,582,844
Proposed bonus shares		713,099	713,099	679,142
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		(104,908)	(99,605)	(63,085)
Fair valuation reserve		(1,582,659)	(1,582,659)	(1,468,720)
Retained earnings		410,747	126,859	230,729
Treasury shares	16	(1,381,525)	(1,328,065)	(1,082,550)
		<u>22,060,804</u>	<u>21,835,679</u>	<u>21,393,560</u>
Non-controlling interests		<u>648,774</u>	<u>610,916</u>	<u>501,809</u>
Total equity		<u>22,709,578</u>	<u>22,446,595</u>	<u>21,895,369</u>
Total liabilities and equity		<u>130,179,629</u>	<u>115,855,422</u>	<u>73,465,924</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 31 March 2014
(Unaudited)

	Exhibit - B	
	Kuwaiti Dinars	
	3 months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	Note	
Sales		
Contract revenue		
	6,404,279	7,379,013
	6,974,898	4,004,371
Cost of sales		
Contract costs		
	13,379,177	11,383,384
	(5,089,221)	(6,401,635)
	(5,409,996)	(2,452,547)
Gross profit	<u>(10,499,217)</u>	<u>(8,854,182)</u>
	2,879,960	2,529,202
General and administrative expenses		
Depreciation	(2,046,997)	(1,945,833)
Provision for doubtful debts	(135,938)	(131,021)
Provision for slow moving inventory	(6,520)	(6,528)
Profit from operations	<u>(32,301)</u>	<u>(27,729)</u>
	658,204	418,091
Unrealized gain/(loss) from investments at fair value through profit or loss		
	943	(614)
Share of loss of unconsolidated subsidiaries	(1,820)	(4,209)
Other income	600,265	524,386
Interest expenses	<u>(917,074)</u>	<u>(659,480)</u>
Profit before contribution to KFAS, Zakat and NLST	340,518	278,174
KFAS	(2,716)	(2,173)
Zakat	(4,333)	(3,277)
National Labour Support Tax (NLST)	<u>(10,833)</u>	<u>(8,192)</u>
Profit for the period	<u>322,636</u>	<u>264,532</u>
Attributable to:		
Equity holders of the Company	283,888	227,754
Non-controlling interests	<u>38,748</u>	<u>36,778</u>
	322,636	264,532
Basic and diluted earnings per share for the period (fiis)	17	
	<u>2.07</u>	<u>1.64</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 Comprehensive Income for the period ended 31 March
2014 (Unaudited)

	Exhibit - C	
	Kuwaiti Dinars	
	3 months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
Profit for the period	<u>322,636</u>	<u>264,532</u>
Other comprehensive income:		
Items that may be reclassified subsequently to income statement		
Change in foreign currency translation	(6,193)	29,147
Total comprehensive income for the period	<u>316,443</u>	<u>293,679</u>
Attributable to:		
Equity holders of the Company	278,585	259,619
Non-controlling interests	<u>37,858</u>	<u>34,060</u>
	<u>316,443</u>	<u>293,679</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 Changes in Equity for the period ended 31 March 2014 (Unaudited)

Exhibit – D

	Kuwaiti Dinars										Non controlling interest	Total Equity		
	Equity attributable to the Parent Company's Shareholders													
	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	Total
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)	-	-	-	-	-	-	-	(5,303)	-	283,888	-	278,585	37,858	316,443
Purchase of treasury shares note 16	-	-	-	-	-	-	-	-	-	-	(53,460)	(53,460)	-	(53,460)
Balance at 31 March 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>(104,908)</u>	<u>(1,582,659)</u>	<u>410,747</u>	<u>(1,381,525)</u>	<u>22,060,804</u>	<u>648,774</u>	<u>22,709,578</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
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	-	31,865	-	227,754	-	259,619	34,060	293,679
Balance at 31 March 2013	<u>13,582,844</u>	<u>679,142</u>	<u>7,877,292</u>	<u>95,331</u>	<u>95,331</u>	<u>17,230</u>	<u>1,430,016</u>	<u>(63,085)</u>	<u>(1,468,720)</u>	<u>230,729</u>	<u>(1,082,550)</u>	<u>21,393,560</u>	<u>501,809</u>	<u>21,895,369</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 31 March 2014
(Unaudited)

	Exhibit - E	
	Kuwaiti Dinars	
	3 months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
Cash flows – operating activities		
Profit for the period	322,636	264,532
<i>Adjustments for:</i>		
Depreciation and amortization	217,577	178,266
Gain on sale of property and equipment	1,175	(12,079)
Unrealized (gain)/loss from investments at fair value through profit or loss	(943)	614
Shares of loss from unconsolidated subsidiaries	-	4,209
Interest expense	917,074	659,480
Operating profit before changes in working capital	1,457,519	1,095,022
Increase in trade and other receivables	(11,034,175)	(3,928,313)
(Increase)/decrease in due from related parties	(62,274)	228,016
Decrease/(increase) in due from customers for contract work	860,691	(289,927)
(Increase)/decrease in inventories	(1,763,571)	396,146
Increase in trade and other payables	3,466,237	1,267,237
Increase/(decrease) in due to related parties	6,504,599	(290,478)
Increase in post-employment benefits	58,080	893
Net cash used in in operating activities	<u>(512,894)</u>	<u>(1,521,404)</u>
Cash flows from investing activities		
Purchase of property and equipment – net	(965,288)	(156,421)
Proceeds from sale of property and equipment	740	18,947
Acquisition of available for sale of investments	(930,000)	-
Net cash used in investing activities	<u>(1,894,548)</u>	<u>(137,474)</u>
Cash flow from financing activities		
(Decrease)/increase in bank overdrafts and promissory notes	(191,346)	1,750,238
Increase in term loans	4,225,474	524,235
Interest paid	(917,074)	(659,480)
Purchase of treasury shares	(53,460)	-
Net cash from financing activities	<u>3,063,594</u>	<u>1,614,993</u>
Net increase/(decrease) in cash and cash equivalents	656,152	(43,885)
Effect of exchange rate changes on cash and cash equivalents	(6,193)	29,147
Cash and cash equivalents at the beginning of the period	<u>1,164,878</u>	<u>1,025,611</u>
Cash and cash equivalents at the end of the period	<u><u>1,814,837</u></u>	<u><u>1,010,873</u></u>

The accompanying notes are an integral part of this interim condensed 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 May 2014.

The annual financial statements of the Group for the year ended 31 December 2013 were approved by the Board of Directors on 31 March 2014 and are subject to approval of Shareholders at the forthcoming Annual General Meeting.

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 three months ended 31 March 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 31 March 2014, two of the subsidiaries, Arabi Enertech Co. K.S.C. (Closed) has an accumulated deficit of KD 6,694,394 which is 83.42% of its share capital (31 December 2013: KD 6,865,300 which is 85.55% and 31 March 2013: KD 7,463,689 which is 93.01%) and Arabi Engineering and Mechanical Works Company WLL has an accumulated deficit of KD 750,827 which is 75.08% of the share capital (31 December 2013: KD 768,627 which is 76.86% and 31 March 2013: KD 817,469 which is 81.75%). 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 10,480,442 (31 December 2013: KD 10,443,092; 31 March 2013: KD 10,164,114) 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 2,655,041 (31 December 2013: KD 2,655,041; 31 March 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 13,135,483 (31 December 2013: KD 13,098,133; 31 March 2013: KD 12,820,879); KD 9,193,321 (31 December 2013: KD 9,193,321; 31 March 2013: KD 9,193,321) is included in trade receivables and KD 3,942,162 (31 December 2013: KD 3,904,812; 31 March 2013: KD 3,627,558) is included in contract in progress.

b) *Recoverability from related party*

Due from related party includes net receivable amount of KD 1,727,815 (31 December 2013: KD 1,734,655; 31 March 2013: KD 1,737,665) 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.

Notes to the Interim Condensed Consolidated Financial Information – 31 March 2014 (Unaudited)

5. Subsidiaries

The principal subsidiaries are:

Subsidiary	Country of incorporation	Percentage of ownership		
		31 Mar 2014	31 Dec 2013	31 Mar 2013
Arabi Company WLL	Kuwait	100%	100%	100%
Arabi Engineering and Mechanical Works Company WLL	Kuwait	100%	100%	100%
Arabi Eneritech 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 Emirate	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 three months ended 31 March 2014 while preparing this interim condensed consolidated financial information (unaudited). Total assets of the subsidiaries amounted to KD 86,363,214 as of 31 March 2014 (31 March 2013: KD 71,716,056) and the subsidiaries net profit was KD 420,738 for the three months ended 31 March 2014 (31 March 2013: KD 292,731).

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 31 March 2014, an advance amount of KD 41,860,000 was paid and is included in trade and other receivables. The advance payment was mainly funded to the extent of KD 14,000,000 by availing a term loan 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 – 31 March 2014 (Unaudited)

7. Investments

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Investments at fair value through profit & loss:			
Quoted securities held for trading	9,506	8,563	10,840
	<u>9,506</u>	<u>8,563</u>	<u>10,840</u>
Investments available for sale:			
Un quoted 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; 31 March 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		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (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)
31 March 2014 (Unaudited)	2,457,609	2,884,010	348,614	(67,800)
31 December 2013 (Audited)	2,586,794	2,945,824	2,066,754	140,937
31 March 2013 (Unaudited)	2,983,654	3,376,557	557,163	95,703

Notes to the Interim Condensed Consolidated Financial Information – 31 March 2014 (Unaudited)

9. Investment in properties

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 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		
		31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Daleel International Co. W.L.L.	100	-	-	-
Call to Connect India Private Limited	60	38,164	38,164	25,825
Workers Equity Holding – B.S.C. (Closed)	60	449,036	450,856	474,157
Mobivision Holding Company – B.S.C. (Closed)	60	-	-	-
Arabi Aviation Company	100	100,000	100,000	100,000
KEY BS JLT- WLL	100	-	-	95,455
		587,200	589,020	695,437

The Group has not consolidated these subsidiaries since they are not material to the interim condensed consolidated financial information. The Group's share of loss from these subsidiaries for the three months ended 31 March 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 31 March 2013 ranging from 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 4,015,802 (31 December 2013: KD 3,646,953; 31 March 2013: KD 4,347,375) carries an effective interest rate of 2% to 8% (31 December 2013: 2% to 8%; 31 March 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.

Notes to the Interim Condensed Consolidated Financial Information – 31 March 2014 (Unaudited)

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		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Current			
Short term loans	12,593,507	11,018,940	5,873,749
Current portion of long term loans	3,530,569	3,163,762	3,648,231
	<u>16,124,076</u>	<u>14,182,702</u>	<u>9,521,980</u>
Non current			
Noncurrent portion of long term loans	23,911,625	21,627,525	7,244,003
	<u>40,035,701</u>	<u>35,810,227</u>	<u>16,765,983</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%; 31 March 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%; 31 March 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.

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 31 March 2013: 135,828,444 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 31 March 2013: 135,828,444 shares of 100 fils each).

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.

Notes to the Interim Condensed Consolidated Financial Information – 31 March 2014 (Unaudited)

16. Treasury shares

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Number of shares (share)	5,637,318	5,367,318	3,916,258
Percentage of issued shares (%)	3.95%	3.76%	2.88%
Market value (KD)	1,071,090	1,062,729	540,443
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	
	3 months ended 31 March 2014 (Unaudited)	2013 (Unaudited)
Profit attributable to equity holders of the Company	283,888	227,754
	Shares	Shares
Weighted average number of shares outstanding during the period	136,997,479	138,703,608
Earnings per share – Basic and diluted (fils)	2.07	1.64

18. Related party transactions

During the period ended 31 March 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	
	3 months ended 31 March 2014 (Unaudited)	2013 (Unaudited)
Key management compensation	34,200	93,282

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.

Notes to the Interim Condensed Consolidated Financial Information – 31 March 2014 (Unaudited)

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	
Three months ended 31 March 2014 (Unaudited)					
Segment revenue	<u>5,888,852</u>	<u>7,117,870</u>	<u>377,439</u>	<u>(4,984)</u>	<u>13,379,177</u>
Segment results	<u>232,032</u>	<u>170,906</u>	<u>17,800</u>	<u>(98,102)</u>	<u>322,636</u>
Three months ended 31 March 2013 (Unaudited)					
Segment revenue	<u>5,648,560</u>	<u>4,879,358</u>	<u>875,857</u>	<u>(20,391)</u>	<u>11,383,384</u>
Segment results	<u>175,383</u>	<u>147,224</u>	<u>(29,876)</u>	<u>(28,199)</u>	<u>264,532</u>

20. Contingent liabilities

The group was contingently liable in respect of the following

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Documentary letters of credit	3,860,019	4,618,615	1,478,364
Letters of guarantees	29,285,376	26,819,723	22,323,839
Letters of acceptance	272,236	488,103	920,883
	<u>33,417,631</u>	<u>31,926,441</u>	<u>24,723,086</u>

21. General Assembly of Shareholders

The Annual General Assembly of Shareholders is not held for the year ended 31 December 2013 until the date of approving these interim condensed consolidated financial information and consequently, consolidated financial statements for the year ended 31 December 2013 are not approved yet. The interim condensed consolidated financial information for the three months period ended 31 March 2014 do not include any adjustments that could have been required in case the General Assembly of shareholders do not approve the consolidated financial statements for the year ended 31 December

Notes to the Interim Condensed Consolidated Financial Information – 31 March 2014 (Unaudited)

2013. The Board of Directors recommended distribution of bonus shares of 5% on outstanding shares as at 31 December 2013. The proposed dividends, if approved, by the shareholders general assembly shall be payable to the shareholders registered in the Parent Company's records as of the date of the general assembly 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.