

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

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

PKF

**Accountants &
business advisers**

AL – WAHA
AUDITING OFFICE
ALI OWAID 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 September 2014 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

Without qualifying our conclusion we draw attention to note 3 to the interim condensed consolidated financial information which indicates that as of 30 September 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 September 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. 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 2014 does not include any adjustments that might results from uncertainties regarding the outcome of Court judgments and acceptance and completion of contracts.

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.

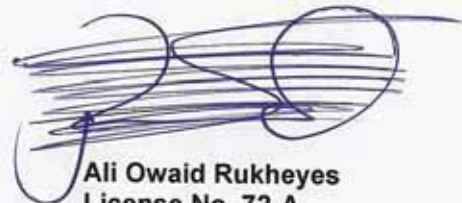
Report on other Legal and Regulatory Requirements

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 nine month period ended 30 September 2014 that might have had a material effect on the business of the Group or on its interim condensed consolidated financial position.



Tariq M. Bouresli
License No. 75-A
PKF Bouresli & Co.
Member of PKF International

Kuwait
24 November 2014




Ali Owaid Rukheyees
License No. 72-A
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Interim Condensed Consolidated Statement of Financial Position as at 30 September 2014 (Unaudited)

Exhibit - A

| | Note | Kuwaiti Dinars | | |
|---|------|-------------------------------------|----------------------------------|-------------------------------------|
| | | 30 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 2013 (Unaudited) |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | | 4,287,005 | 1,164,878 | 2,236,792 |
| Trade and other receivables | 6 | 114,409,426 | 74,694,595 | 70,064,442 |
| Investment at fair value through profit or loss | 7 | 7,792 | 8,563 | 9,561 |
| Due from related parties | | 3,654,644 | 5,055,989 | 4,878,469 |
| Contract in progress – due from customers | | 4,981,475 | 5,381,182 | 5,072,117 |
| Inventories | | 24,688,226 | 14,676,533 | 14,052,612 |
| | | <u>152,028,568</u> | <u>100,981,740</u> | <u>96,313,993</u> |
| Non-current assets | | | | |
| Investments available for sale | 7 | 4,142,740 | 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 | 589,892 | 589,020 | 576,847 |
| Property and equipment | | 11,965,980 | 8,333,240 | 8,277,057 |
| Goodwill | | 595,964 | 595,964 | 795,964 |
| | | <u>19,438,577</u> | <u>14,873,682</u> | <u>14,908,304</u> |
| Total assets | | <u>171,467,145</u> | <u>115,855,422</u> | <u>111,222,297</u> |
| Liabilities and equity | | | | |
| Current liabilities | | | | |
| Bank overdrafts and promissory notes | 11 | 19,542,428 | 17,289,162 | 17,469,205 |
| Due to related parties | | 7,909,550 | 1,630,242 | 1,496,108 |
| Trade and other payables | 12 | 45,693,403 | 36,469,284 | 35,277,474 |
| Term loans | 13 | 48,628,591 | 14,182,702 | 10,385,146 |
| | | <u>121,773,972</u> | <u>69,571,390</u> | <u>64,627,933</u> |
| Non current liabilities | | | | |
| Noncurrent portion of term loans | 13 | 23,259,398 | 21,627,525 | 21,732,695 |
| Post employment benefits | | 2,395,157 | 2,209,912 | 2,259,642 |
| | | <u>25,654,555</u> | <u>23,837,437</u> | <u>23,992,337</u> |
| Equity | | | | |
| Attributable to the Company's shareholders | | | | |
| Capital | 14 | 14,975,085 | 14,261,986 | 14,261,986 |
| Proposed bonus shares | | - | 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 | | (45,312) | (99,605) | (80,033) |
| Fair valuation reserve | | (1,571,964) | (1,582,659) | (1,468,720) |
| Retained earnings | | 2,177,349 | 126,859 | 875,850 |
| Treasury shares | 16 | (1,381,525) | (1,328,065) | (1,093,078) |
| | | <u>23,897,697</u> | <u>21,835,679</u> | <u>22,011,205</u> |
| Non-controlling interests | | 140,921 | 610,916 | 590,822 |
| Total equity | | <u>24,038,618</u> | <u>22,446,595</u> | <u>22,602,027</u> |
| Total liabilities and equity | | <u>171,467,145</u> | <u>115,855,422</u> | <u>111,222,297</u> |

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


Hamed Al Bassam
Vice Chairman

Arabi Group Holdings – K.S.C.P
Kuwait

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

| | Exhibit - B | | | |
|---|--------------------------------|-----------------------|--------------------------------|-----------------------|
| | Kuwaiti Dinars | | Kuwaiti Dinars | |
| | 3 months ended 30 September | | 9 months ended 30 September | |
| Note | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) |
| Sales | 7,953,775 | 10,926,255 | 28,159,288 | 25,538,513 |
| Contract revenue | 7,061,992 | 7,605,317 | 20,076,457 | 15,365,178 |
| | <u>15,015,767</u> | <u>18,531,572</u> | <u>48,235,745</u> | <u>40,903,691</u> |
| Cost of sales | (5,798,955) | (13,459,221) | (22,493,418) | (25,116,958) |
| Contract costs | (5,837,195) | (2,293,449) | (16,221,607) | (7,350,310) |
| | <u>(11,636,150)</u> | <u>(15,752,670)</u> | <u>(38,715,025)</u> | <u>(32,467,268)</u> |
| Gross profit | 3,379,617 | 2,778,903 | 9,520,720 | 8,436,423 |
| General and administrative expenses | (2,615,337) | (2,260,290) | (6,575,742) | (6,709,777) |
| Depreciation | (142,538) | (147,175) | (427,214) | (405,971) |
| Provision for doubtful debts | (1,830,072) | (9,648) | (1,843,094) | (30,386) |
| Provision for slow moving inventory | (32,316) | (36,964) | (96,912) | (119,572) |
| (Loss)/profit from operations | <u>(1,240,646)</u> | <u>324,826</u> | <u>577,758</u> | <u>1,170,717</u> |
| Unrealized loss from investments at fair value through profit or loss | (792) | (1,092) | (771) | (1,893) |
| Share of (loss)/profit of unconsolidated subsidiaries | (5) | 1,610 | 872 | (122,799) |
| Other income | 3,964,925 | 744,346 | 4,901,732 | 2,042,375 |
| Interest expenses | <u>(1,644,530)</u> | <u>(667,483)</u> | <u>(3,742,247)</u> | <u>(2,045,734)</u> |
| Profit before contribution to KFAS, Zakat and NLST | 1,078,952 | 402,207 | 1,737,344 | 1,042,666 |
| KFAS | (14,743) | (3,294) | (19,740) | (8,336) |
| Zakat | (26,335) | (4,386) | (35,165) | (12,851) |
| National Labour Support Tax (NLST) | <u>(65,837)</u> | <u>(10,967)</u> | <u>(87,912)</u> | <u>(32,125)</u> |
| Profit for the period | <u>972,037</u> | <u>383,560</u> | <u>1,594,527</u> | <u>989,354</u> |
| Attributable to: | | | | |
| Equity holders of the Company | 1,531,181 | 347,327 | 2,050,490 | 872,875 |
| Non-controlling interest | <u>(559,144)</u> | <u>36,233</u> | <u>(455,963)</u> | <u>116,479</u> |
| | <u>972,037</u> | <u>383,560</u> | <u>1,594,527</u> | <u>989,354</u> |
| Basic and diluted earnings per share for the period (fils) | 17 | <u>10.65</u> | <u>2.38</u> | <u>14.24</u> |
| | | <u>5.99</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 2014 (Unaudited)

| | Exhibit - C | | | |
|--|--------------------------------|---------------------|--------------------------------|---------------------|
| | Kuwaiti Dinars | | Kuwaiti Dinars | |
| | 3 months ended 30 September | | 9 months ended 30 September | |
| | 2014 (Unaudited) | 2013 (Unaudited) | 2014 (Unaudited) | 2013 (Unaudited) |
| Profit for the period | 972,037 | 383,560 | 1,594,527 | 989,354 |
| Other comprehensive income: | | | | |
| Items that may be reclassified subsequently to income statement | | | | |
| Net unrealized loss on available for sale investments | 1,283 | - | 1,283 | - |
| Change in foreign currency translation | 49,628 | (2,368) | 49,673 | 21,511 |
| Total comprehensive income for the period | <u>1,022,948</u> | <u>381,192</u> | <u>1,645,483</u> | <u>1,010,865</u> |
| Attributable to: | | | | |
| Equity holders of the Company | 1,595,118 | 340,485 | 2,115,478 | 887,792 |
| Non-controlling interest | (572,170) | 40,707 | (469,995) | 123,073 |
| | <u>1,022,948</u> | <u>381,192</u> | <u>1,645,483</u> | <u>1,010,865</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 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 |
| Issue of bonus shares | 713,099 | (713,099) | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the period (Unaudited) | - | - | - | - | - | - | - | 54,293 | 10,695 | 2,050,490 | - | 2,115,478 | (469,995) | 1,645,483 |
| Purchase of treasury shares note 16 | - | - | - | - | - | - | - | - | - | - | (53,460) | (53,460) | - | (53,460) |
| Balance at 30 September 2014 -Unaudited | 14,975,085 | - | 7,877,292 | 209,763 | 209,763 | 17,230 | 1,430,016 | (45,312) | (1,571,964) | 2,177,349 | (1,381,525) | 23,897,697 | 140,921 | 24,038,618 |
| 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) | - | - | - | - | - | - | - | 14,917 | - | 872,875 | - | 887,792 | 123,073 | 1,010,865 |
| Purchase of treasury shares note 16 | - | - | - | - | - | - | - | - | - | - | (10,528) | (10,528) | - | (10,528) |
| Balance at 30 September 2013- Unaudited | 14,261,986 | - | 7,877,292 | 95,331 | 95,331 | 17,230 | 1,430,016 | (80,033) | (1,468,720) | 875,850 | (1,093,078) | 22,011,205 | 590,822 | 22,602,027 |

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 2014
(Unaudited)

| | Exhibit - E | |
|---|-------------------|--------------|
| | Kuwaiti Dinars | |
| | 9 months ended 30 | |
| | September | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| Cash flows – operating activities | | |
| Profit for the period | 1,594,527 | 989,354 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortization | 768,960 | 574,507 |
| Gain on sale of property and equipment | (4,078,533) | (18,860) |
| Unrealized loss from investments at fair value through profit or loss | 771 | 1,893 |
| Shares of (profit)/loss from unconsolidated subsidiaries | (872) | 122,799 |
| Interest expense | 3,742,247 | 2,045,734 |
| Operating (loss)/profit before changes in working capital | 2,027,100 | 3,715,427 |
| Increase in trade and other receivables | (39,714,831) | (36,793,876) |
| Decrease/(Increase) in due from related parties | 1,401,345 | (107,994) |
| Decrease/(increase) in due from customers for contract work | 399,707 | (854,124) |
| Increase in inventories | (10,011,693) | (2,206,939) |
| Increase in trade and other payables | 9,224,119 | 21,715,386 |
| Increase in due to related parties | 6,279,308 | 571,615 |
| Increase in post employment benefits | 185,245 | 121,061 |
| Net cash used in operating activities | (30,209,700) | (13,839,444) |
| Cash flows from investing activities | | |
| Purchase of property and equipment – net | (4,608,443) | (913,131) |
| Proceeds from sale of property and equipment | 4,285,276 | 104,730 |
| Acquisition of available for sale of investments | (930,000) | - |
| Net cash used in investing activities | (1,253,167) | (808,401) |
| Cash flows from financing activities | | |
| Increase in bank overdrafts and promissory notes | 2,253,266 | 2,017,685 |
| Increase in term loans | 36,077,762 | 15,876,093 |
| Interest paid | (3,742,247) | (2,045,734) |
| Purchase of treasury shares | (53,460) | (10,528) |
| Net cash from financing activities | 34,535,321 | 15,837,516 |
| Net increase in cash on hand and at banks | 3,072,454 | 1,189,670 |
| Effect of exchange rate changes on cash and cash equivalents | 49,673 | 21,511 |
| 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 | 4,287,005 | 2,236,792 |

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 24 November 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 nine months ended 30 September 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 September 2014, two of the subsidiaries, Arabi Enertech Co. K.S.C. (Closed) has an accumulated deficit of KD 8,447,109 which is 105.26% of its share capital (31 December 2013: KD 6,865,300 which is 85.55% and 30 September 2013: KD 7,103,380 which is 88.52%) and Arabi Engineering and Mechanical Works Company WLL has an accumulated deficit of KD 742,326 which is 74.23% of the share capital (31 December 2013: KD 768,627 which is 76.86% and 30 September 2013: KD 786,965 which is 78.70%). 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 September 2013: KD 10,443,092) 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 2,651,816 (31 December 2013: KD 2,655,041; 30 September 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 contracts. 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 13,137,875 (31 December 2013: KD 13,098,133; 30 September 2013: KD 13,099,857); KD 9,190,096 (31 December 2013: KD 9,193,321; 30 September 2013: KD 9,193,321) is included in trade receivables and KD 3,947,779 (31 December 2013: KD 3,904,812; 30 September 2013: KD 3,906,537) is included in contract in progress.

5. Subsidiaries

The principal subsidiaries are:

| Subsidiary | Country of incorporation | Percentage of Ownership | | |
|---|--------------------------|-------------------------|-------------|-------------------|
| | | 30 September 2014 | 31 Dec 2013 | 30 September 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 | | | | |
| 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 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 nine months ended 30 September 2014 while preparing this interim condensed consolidated financial information (unaudited). Total assets of the subsidiaries amounted to KD 99,145,478 as of 30 September 2014 (30 September 2013: KD 73,074,209) and the subsidiaries net loss was KD 1,029,562 for the nine months ended 30 September 2014 (30 September 2013: Net profit KD 722,076).

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 September 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.

7. Investments

| | Kuwaiti Dinars | | |
|---|-------------------------------------|----------------------------------|-------------------------------------|
| | 30 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 2013 (Unaudited) |
| Investments at fair value through profit & loss: | | | |
| Quoted securities held for trading | 7,792 | 8,563 | 9,561 |
| | <u>7,792</u> | <u>8,563</u> | <u>9,561</u> |
| Investments available for sale: | | | |
| Unquoted securities | 4,142,740 | 3,211,457 | 3,514,685 |
| | <u>4,142,740</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 September 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 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 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 based on their management accounts are as follows:

| | Kuwaiti Dinars | | | |
|-------------------------------|----------------|-------------|-----------|-----------------------|
| | Assets | Liabilities | Revenue | Net (loss)/ profit |
| 30 September 2014 (Unaudited) | 2,497,264 | 2,899,805 | 1,134,964 | (8,940) |
| 31 December 2013 (Audited) | 2,586,794 | 2,945,824 | 2,066,754 | 140,937 |
| 30 September 2013 (Unaudited) | 3,001,503 | 3,488,297 | 1,525,541 | 12,623 |

9. Investment in properties

| | Kuwaiti Dinars | | |
|---|-------------------------------------|----------------------------------|-------------------------------------|
| | 30 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 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 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 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 | 449,034 | 450,856 | 451,022 |
| Mobivision Holding Company – B.S.C. (Closed) | 60 | - | - | - |
| Arabi Aviation Company | 100 | 100,000 | 100,000 | 100,000 |
| KEY BS JLT- WLL | 100 | - | - | - |
| | | 589,892 | 589,020 | 576,847 |

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 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 September 2013 ranging from 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 4,326,688 (31 December 2013: KD 3,646,953; 30 September 2013: KD 3,863,116) carries an effective interest rate of 2% to 7.50% (31 December 2013: 2% to 8%; 30 September 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 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 2013 (Unaudited) |
| Current | | | |
| Short term loans | 45,171,455 | 11,018,940 | 7,052,649 |
| Current portion of long term loans | 3,457,136 | 3,163,762 | 3,332,497 |
| | <u>48,628,591</u> | <u>14,182,702</u> | <u>10,385,146</u> |
| Non current | | | |
| Noncurrent portion of long term loans | 23,259,398 | 21,627,525 | 21,732,695 |
| | <u>71,887,989</u> | <u>35,810,227</u> | <u>32,117,841</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 September 2013: 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 2013: 4% to 7.5%; 30 September 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 149,750,859 shares of 100 fils each (31 December 2013: 142,619,866 and 30 September 2013: 142,619,866 shares of 100 fils each).

The issued and paid up share capital of the Company comprises of 149,750,859 of 100 fils each (31 December 2013: 142,619,866 and 30 September 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

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

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). This amendment was entered in the commercial register on 25 August 2014.

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.

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 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 2013 (Unaudited) |
| Number of shares (share) | 5,919,182 | 5,367,318 | 4,168,071 |
| Percentage of issued shares (%) | 3.95% | 3.76% | 2.92% |
| Market value (KD) | 1,112,806 | 1,062,729 | 791,933 |
| Cost (KD) | 1,381,525 | 1,328,065 | 1,093,078 |

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 30 September | | Kuwaiti Dinars 9 months ended 30 September | |
|---|--|-------------|--|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Profit attributable to equity holders of the Company | 1,531,181 | 347,327 | 2,050,490 | 872,875 |
| | Shares | Shares | Shares | Shares |
| Weighted average number of shares outstanding during the period | 143,831,677 | 145,638,186 | 144,016,625 | 145,638,584 |
| Earnings per transactions – Basic and diluted (fils) | 10.65 | 2.38 | 14.24 | 5.99 |

18. Related party transactions

During the period ended 30 September 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 September | | 9 months ended 30 September | |
| | 2014 | 2013 | 2014 | 2013 |
| Key management compensation | 34,200 | 77,310 | 102,600 | 237,394 |
| General and administrative expenses | 47,250 | - | 47,250 | - |
| Interest income | 25,718 | - | 25,718 | - |

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 | |
| Nine months ended 30 September 2014 (Unaudited) | | | | | |
| Segment revenue | 20,120,970 | 27,674,705 | 498,555 | (58,485) | 48,235,745 |
| Segment results | 525,947 | (1,581,810) | 26,301 | 2,624,089 | 1,594,527 |
| Nine months ended 30 September 2013 (Unaudited) | | | | | |
| Segment revenue | 18,359,740 | 17,123,374 | 5,431,918 | (11,341) | 40,903,691 |
| Segment results | 213,914 | 507,534 | 628 | 267,278 | 989,354 |

20. Contingent liabilities

The group was contingently liable in respect of the following

| | Kuwaiti Dinars | | |
|-------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| | 30 September 2014 (Unaudited) | 31 December 2013 (Audited) | 30 September 2013 (Unaudited) |
| Documentary letters of credit | 5,207,960 | 4,618,615 | 5,347,161 |
| Letters of guarantees | 43,228,636 | 26,819,723 | 26,019,102 |
| Letters of acceptance | 1,041,998 | 488,103 | 373,406 |
| | <u>49,478,594</u> | <u>31,926,441</u> | <u>31,739,669</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.