

**Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait**

**Interim condensed consolidated financial information (Unaudited)
and review report**

For the six month period ended 30 June 2019

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim condensed consolidated financial information (Unaudited) and review report
For the six month period ended 30 June 2019

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**Arabi Group Holding K.S.C. (Public)
State of Kuwait**

Independent auditor's 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 Holding K.S.C. (Public) (the "Parent Company") and its subsidiaries (together referred to as the "Group") as at 30 June 2019, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. The Parent Company's 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Matter

We draw your attention for the fact that a qualified conclusion were expressed on 13 August 2018 on the interim condensed consolidated financial information for the period ended 30 June 2018, due to the fact that the Group was still in process of evaluating the potential effect of the provision for expected credit losses ("ECL"), regarding the requirements of the adoption of IFRS 9.




Arabi Group Holding K.S.C. (Public)
State of Kuwait

Independent auditor's review report to the Board of Directors (Continued)

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 accounts of the Parent Company. We further report that nothing has come to our attention indicating any violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six month period ended 30 June 2019, that might have had a material effect on business of the Group or its consolidated financial position.



Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners


Kuwait: 7 August 2019

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of financial position (Unaudited)
As at 30 June 2019

	Notes	30 June 2019 KD	31 December 2018 (Audited) KD	30 June 2018 KD
ASSETS				
Non-current assets				
Property, plant and equipment		24,598,358	25,808,465	24,402,986
Financial assets at fair value through other comprehensive income		5,739,031	5,739,031	5,740,748
Investment in associates		68,224,644	68,711,612	69,060,453
		<u>98,562,033</u>	<u>100,259,108</u>	<u>99,204,187</u>
Current assets				
Inventories		51,032,783	50,290,947	51,869,806
Contract assets		2,606,371	2,606,371	2,520,876
Contract receivables	4	65,759,574	58,029,406	50,914,349
Trade receivables and other debit balances		31,077,558	28,951,035	28,312,408
Due from related parties	5	2,086,758	2,836,946	2,234,637
Financial assets at fair value through profit or loss		4,068	4,234	4,838
Cash and cash equivalents		1,668,473	848,952	3,286,460
		<u>154,235,585</u>	<u>143,567,891</u>	<u>139,143,374</u>
Total assets		<u>252,797,618</u>	<u>243,826,999</u>	<u>238,347,561</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital		17,296,224	17,296,224	17,296,224
Share premium		7,877,292	7,877,292	7,877,292
Treasury shares	6	(1,480,519)	(1,480,519)	(1,480,519)
Treasury shares reserve		17,230	17,230	17,230
Statutory reserve		554,248	554,248	554,248
Voluntary reserve		324,297	324,297	324,297
Revaluation reserve		2,223,931	2,223,931	2,223,931
Foreign currency translation reserve		107,039	115,055	102,517
Fair value reserve from financial assets at fair value through other comprehensive income		313,105	313,105	314,822
(Accumulated losses) / retained earnings		(1,565,168)	(1,672,279)	301,006
Equity attributable to shareholders of the Parent Company		<u>25,667,679</u>	<u>25,568,584</u>	<u>27,531,048</u>
Non-controlling interests		8,235,597	7,444,650	7,104,059
Total equity		<u>33,903,276</u>	<u>33,013,234</u>	<u>34,635,107</u>
LIABILITIES				
Non-current liabilities				
Term loans	7	78,722,455	77,281,956	50,006,748
Provision for end of service indemnity		5,512,480	5,076,895	4,573,463
		<u>84,234,935</u>	<u>82,358,851</u>	<u>54,580,211</u>
Current liabilities				
Term loans	7	27,822,276	29,110,786	59,880,829
Due to banks	8	24,963,065	20,715,624	17,892,441
Notes payable	9	24,733,835	23,593,284	13,983,366
Finance lease obligations		775,117	754,738	1,357,412
Contract liabilities		637,504	1,348,673	1,248,789
Trade payables and other payables		40,552,136	38,441,014	38,425,215
Due to related parties	5	15,175,474	14,490,795	16,344,191
Total current liabilities		<u>134,659,407</u>	<u>128,454,914</u>	<u>149,132,243</u>
Total liabilities		<u>218,894,342</u>	<u>210,813,765</u>	<u>203,712,454</u>
Total liabilities and equity		<u>252,797,618</u>	<u>243,826,999</u>	<u>238,347,561</u>

The accompanying notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial information.


Hamed Rashed AlBassam
Vice Chairman

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of income (Unaudited)
For the six month period ended 30 June 2019

	Notes	For the three month period ended 30 June		For the six month period ended 30 June	
		2019	2018	2019	2018
		KD	KD	KD	KD
Revenues	10	27,311,488	29,871,482	50,918,920	54,838,595
Cost of revenues		(20,167,941)	(23,065,960)	(38,111,054)	(42,359,643)
Gross profit		7,143,547	6,805,522	12,807,866	12,478,952
Other operating income	10	32,436	101,400	267,063	124,684
General and administrative expenses		(3,167,881)	(3,551,235)	(6,275,483)	(6,550,526)
Provision for slow moving inventories		(80,398)	(76,005)	(136,041)	(117,657)
Provision for expected credit losses	4	(101,754)	(158,155)	(202,680)	(295,830)
Profit from operations		3,825,950	3,121,527	6,460,725	5,639,623
Gain on disposal of property, plant and equipment		10,015	14,950	7,481	17,545
Unrealised loss from financial assets at fair value through profit or loss		(348)	(413)	(166)	(625)
Share of results of investment in associates		(278,965)	(131,121)	(486,968)	(215,663)
Other income	10	144,082	150,410	225,019	383,137
Finance costs		(2,675,540)	(2,603,216)	(5,285,926)	(5,047,775)
Profit for the period before National Labor Support Tax (NLST)		1,025,194	552,137	920,165	776,242
National Labor Support Tax		(21,753)	(18,453)	(21,753)	(27,158)
Profit for the period		1,003,441	533,684	898,412	749,084
Attributable to:					
Shareholders of the Parent Company		428,443	293,372	107,111	303,808
Non-controlling interests		574,998	240,312	791,301	445,276
		<u>1,003,441</u>	<u>533,684</u>	<u>898,412</u>	<u>749,084</u>
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (fils)	11	<u>2.60</u>	<u>1.78</u>	<u>0.65</u>	<u>1.84</u>

The accompanying notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial information.

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of comprehensive income (Unaudited)
For the six month period ended 30 June 2019

	For the three month period ended 30 June		For the six month period ended 30 June	
	2019	2018	2019	2018
	KD	KD	KD	KD
Profit for the period	1,003,441	533,684	898,412	749,084
Other comprehensive (loss) / income:				
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Change in foreign currency translation	(10,381)	40,836	(8,370)	27,345
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of income</i>				
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	4,002
Total other comprehensive (loss) / income for the period	(10,381)	40,836	(8,370)	31,347
Total comprehensive income for the period	993,060	574,520	890,042	780,431
Attributable to:				
Shareholders of the Parent Company	417,846	332,446	99,095	329,224
Non-controlling interests	575,214	242,074	790,947	451,207
	993,060	574,520	890,042	780,431

The accompanying notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial information.

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of changes in equity (Unaudited)
For the six month period ended 30 June 2019

	Equity attributable to shareholders of the Parent Company											Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Revaluation reserve	Foreign currency translation reserve	Cumulative change in fair value	Fair value reserve from financial assets at fair value through other comprehensive income	Retained Earnings (accumulated losses) /			
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2017	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	81,103	310,820	-	(2,802)	27,201,824	6,652,852	33,854,676
Impact on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	-	(310,820)	310,820	-	-	-	-
Balance at 1 January 2018 ("Restated")	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	81,103	-	310,820	(2,802)	27,201,824	6,652,852	33,854,676
Profit for the period	-	-	-	-	-	-	-	-	-	-	303,808	303,808	445,276	749,084
Total other comprehensive income for the period	-	-	-	-	-	-	-	21,414	-	4,002	-	25,416	5,931	31,347
Total comprehensive income for the period	-	-	-	-	-	-	-	21,414	-	4,002	303,808	329,224	451,207	780,431
Balance at 30 June 2018	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	102,517	-	314,822	301,006	27,531,048	7,104,059	34,635,107
Balance at 1 January 2019	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	115,055	-	313,105	(1,672,279)	25,568,584	7,444,650	33,013,234
Profit for the period	-	-	-	-	-	-	-	-	-	-	107,111	107,111	791,301	898,412
Total other comprehensive loss for the period	-	-	-	-	-	-	-	(8,016)	-	-	-	(8,016)	(354)	(8,370)
Total comprehensive (loss) / income for the period	-	-	-	-	-	-	-	(8,016)	-	-	107,111	99,095	790,947	890,042
Balance at 30 June 2019	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	107,039	-	313,105	(1,565,168)	25,667,679	8,235,597	33,903,276

The accompanying notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial information.

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2019

		For the six month period ended 30 June	
		2019	2018
Note		KD	KD
CASH FLOWS FROM OPERATING ACTIVITIES			
	Profit for the period	898,412	749,084
	<i>Adjustments:</i>		
	Depreciation	1,453,748	1,258,190
	Provision for slow moving inventories	136,041	117,657
4	Provision for expected credit losses	202,680	295,830
	Unrealised loss from financial assets at fair value through profit or loss	166	625
	Gain on disposal of property, plant and equipment	(7,481)	(17,545)
	Share of results of investment in associates	486,968	215,663
	Finance costs	5,285,926	5,047,775
	Provision for end of service indemnity	500,798	481,505
		<u>8,957,258</u>	<u>8,148,784</u>
	<i>Changes in operating assets and liabilities:</i>		
	Inventories	(877,877)	(11,814,195)
	Contract assets	-	(768,627)
	Contract receivables	(7,932,848)	12,204,123
	Trade receivables and other debit balances	(2,126,523)	(1,974,868)
	Due from related parties	750,188	982,155
	Contract liabilities	(711,169)	246,044
	Trade payables and other payables	2,111,122	(1,988,078)
	Due to related parties	684,679	2,250,748
	Cash generated from operations	<u>854,830</u>	<u>7,286,086</u>
	Employees' end of service benefits paid	(65,213)	(112,480)
	Net cash from operating activities	<u>789,617</u>	<u>7,173,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of property, plant and equipment	(347,468)	(520,749)
	Proceed from disposal of property, plant and equipment	111,308	39,322
	Net cash used in investing activities	<u>(236,160)</u>	<u>(481,427)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from term loans	9,072,101	23,462,758
	Repayment of term loans	(8,920,112)	(19,909,255)
	Net movement of due to banks	4,247,441	(368,823)
	Net movement of notes payable	1,140,551	571,069
	Net movement of finance lease obligations	20,379	(5,635,184)
	Finance costs paid	(5,285,926)	(5,047,775)
	Net cash from / (used in) financing activities	<u>274,434</u>	<u>(6,927,210)</u>
	Net increase / (decrease) in cash and cash equivalents	<u>827,891</u>	<u>(235,031)</u>
	Foreign currency translation adjustments	(8,370)	27,345
	Cash and cash equivalents at the beginning of the period	848,952	3,494,146
	Cash and cash equivalents at the end of the period	<u>1,668,473</u>	<u>3,286,460</u>
NON-CASH TRANSACTIONS			
	Purchase of property, plant and equipment through finance lease obligations	-	(408,989)
	Disposals of property, plant and equipment through settlements of trade payables and accruals	-	4,784,334
	Disposals of property, plant and equipment through settlements of finance lease obligations	-	1,554,381

The accompanying notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial information

**Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2019

1. INCORPORATION AND ACTIVITIES

Arabi Group Holding K.S.C.P. (the "Parent Company") and its subsidiaries (referred to as "the Group") is a Kuwaiti Shareholding Company incorporated on 5 December 1982 and is listed on Boursa - Kuwait.

The registered office of the Parent Company is P.O. Box 4090, Safat, 13041, Kuwait.

The principal activities of the Parent Company are:

- 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 condensed consolidated interim financial information includes the condensed interim financial informations of the Parent Company and its subsidiaries (together referred to as "the Group").

This interim condensed consolidated financial information for the six month period ended 30 June 2019 were authorised for issue by the Board of Directors of the Parent Company on 7 August 2019.

2. BASIS OF PREPARATION

These interim condensed consolidated financial information have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 December 2018 ("last annual consolidated financial statements").

The interim condensed consolidated financial information does not include all of the information required for a complete set of IFRSs financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's interim condensed consolidated financial position and performance since the last annual financial statements.

In the opinion of the management all adjustments (including recurring accruals) have been included in the interim condensed consolidated financial information. The operating results for the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2018.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

Use of judgements and estimates

In preparing this interim condensed consolidated financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Parent Company's executive management.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Parent Company's audit committee.

Further information about the assumptions made in measuring fair values is included in (Note 15).

Changes in significant accounting policies

Except as described below, the accounting policies applied in this interim condensed consolidated financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has adopted IFRS 16: Leases from 1 January 2019 as well as number of other new amendments are effective from 1 January 2019 but they do not have a material effect on the Group's interim condensed consolidated financial information.

IFRS 16: Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15: Operating Leases-Incentives and SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Arabi Group Holding K.S.C. (Public) and its subsidiaries
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Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2019

2. BASIS OF PREPARATION (CONTINUED)

Changes in significant accounting policies (Continued)

IFRS 16: Leases (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of application.

Under this method, the application of the standard recognised at the date of application would have no material effect on the interim condensed consolidated financial information. As all the lease contracts of the Group are exempt from the application, as the Group has decided to use the lease exemption policy, which has a duration of 12 months or less at the commencement date of the contract and do not contain a purchase option ("short-term leases") and lease contracts for which the underlying asset is of low value ("low-value assets").

3. BASIS OF CONSOLIDATION

This interim condensed consolidated financial information for the six month period ended 30 June 2019 includes the Group and its subsidiaries.

The interim condensed financial information of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-Group balances and transactions, and any realised gains, losses, expenses, income and balances arising from intra-Group transactions, are eliminated in preparing these interim condensed consolidated financial information.

The interim condensed consolidated financial information includes the interim condensed financial information of Arabi Group Holding K.S.C. (Public) and its subsidiaries as follows:

Name of the subsidiary	Voting rights and equity interest %			Country of incorporation	Principal activities
	30 June 2019	31 December 2018 (Audited)	30 June 2018		
	%	%	%		
Arabi Company W.L.L. (*)	100	100	100	State of Kuwait	General trading and contracting
Arabi Engineering and Mechanical Works Company W.L.L.	100	100	100	State of Kuwait	General trading and contracting
Arabi Enertech Company K.S.C. (Closed)	73.08	73.08	73.08	State of Kuwait	General trading and contracting
Daleel International Company W.L.L. (**)	100	100	100	State of Kuwait	IT services
Key BS JLT W.L.L. (**)	100	100	100	United Arab Emirates	IT services

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Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2019

3. BASIS OF CONSOLIDATION (CONTINUED)

The Group's share in subsidiaries has been recorded based on interim condensed financial information prepared by the management as at 30 June 2019 except for Arabi Enertech Company K.S.C. (Closed) and Arabi Company W.L.L. which are based on reviewed interim condensed financial information.

(*) The interim condensed consolidated financial information includes the financial statements of Arabi Company W.L.L. and its subsidiaries as follows:

Name of the subsidiary	Voting rights and equity interest %			Country of incorporation	Principal activities
	30 June 2019	31 December 2018 (Audited)	30 June 2018		
	%	%	%		
Gulf Services and Industrial Supplies Company	100	100	100	Oman	General Trading and Contracting
Arabi Company W.L.L.	100	100	100	Qatar	General Trading and Contracting
Altec Corporation Limited	90.03	90.03	90.03	India	General Trading and Contracting
Warba Mechanical Equipments L.L.C.	70	70	70	United Arab Emirates	General Trading and Contracting

(**) 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) / profit from these subsidiaries for the six month period ended 30 June 2019 has been recognised based on their management accounts.

4. CONTRACT RECEIVABLES

	30 June 2019	31 December 2018 (Audited)	30 June 2018
	KD	KD	KD
Contract receivables	74,537,903	66,605,055	57,841,564
Provision for excepted credit losses (*)	(8,778,329)	(8,575,649)	(6,927,215)
	<u>65,759,574</u>	<u>58,029,406</u>	<u>50,914,349</u>

(*) The movement in the provision for excepted credit losses is as follows:

	30 June 2019	31 December 2018 (Audited)	30 June 2018
	KD	KD	KD
Balance at 1 January	8,575,649	5,475,575	6,631,385
Effect of adoption IFRS 9	-	2,478,456	-
Charged during the period / year	<u>202,680</u>	<u>621,618</u>	<u>295,830</u>
	<u>8,778,329</u>	<u>8,575,649</u>	<u>6,927,215</u>

Arabi Group Holding K.S.C. (Public) and its subsidiaries
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Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2019

5. RELATED PARTIES DISCLOSURES

Related parties represent major shareholders, directors and senior management personnel of the Group, and Companies controlled, or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Group's management. The significant related parties' balances and transactions are as follows:

	30 June 2019	31 December 2018 (Audited)	30 June 2018
	KD	KD	KD
<i>Interim condensed consolidated statement of financial position:</i>			
Due from related parties	2,086,758	2,836,946	2,234,637
Finance lease obligations	82,880	82,880	700,000
Due to related parties	15,175,474	14,490,795	16,344,191

The amounts due from related parties are non-interest bearing and are receivable on demand.

The amounts due to related parties are non-interest bearing and are payable on demand, except due to shareholders amounting to KD 6,634,506 (31 December 2018: KD 6,676,109 and 30 June 2018: KD 6,716,506) (included in due to related parties) which carries an interest rate of 6.5% (31 December 2018: 6.5% and 30 June 2018: 6.5%) per annum.

Compensation of key management personnel of the Parent Company:

The remuneration of key management personnel of the Parent Company during the period was as follow:

	30 June 2019	30 June 2018
	KD	KD
<i>Interim condensed consolidated statement of income:</i>		
Salaries and short term benefits	141,500	135,500
End of service benefits	17,136	22,440
Finance costs	177,925	177,925

6. TREASURY SHARES

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Number of treasury shares	7,966,743	7,966,743	7,966,743
Percentage of ownership	4.61%	4.61%	4.61%
Market value (KD)	597,506	677,173	549,705
Cost (KD)	1,480,519	1,480,519	1,480,519

The Parent Company's management has allotted an amount equal to treasury shares balance from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during treasury shares holding period.

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7. TERM LOANS

Term loans represent loans granted by local and foreign banks at an interest rate ranging from 2.5% to 4% (31 December 2018: from 2.5% to 4% and 30 June 2018: from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Collaterals

Terms loans are secured against of the followings;

- Shareholders personal guarantees,
- Assignment of some contract revenues,
- 43,982,797 of capital shares which related to major shareholders,
- Guarantees from related parties and subsidiary Companies,
- Mortgage of Group's properties, and
- Promise to mortgage the entire 26% ownership of investment in associate.

Presented below maturity profile of term loans as follows:

	30 June 2019	31 December 2018 (Audited)	30 June 2018
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Non-current portion	78,722,455	77,281,956	50,006,748
Current portion	27,822,276	29,110,786	59,880,829
	<u>106,544,731</u>	<u>106,392,742</u>	<u>109,887,577</u>

8. DUE TO BANKS

Due to banks represent facilities granted by local banks carrying interest rates ranging from 2.5% to 4% (31 December 2018 from 2.5% to 4% and 30 June 2018 from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Due to banks are secured against the collaterals described in (Note 7).

9. NOTES PAYABLE

This item represents notes payable resulted from commercial transactions, carrying an interest rates ranging from 2.5% to 4% (31 December 2018 from 2.5% to 4% and 30 June 2018 from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Notes payable are secured against the collaterals described in (Note 7).

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10. REVENUES

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by type of revenue, type of customer, primary geographical market, contract duration and timing of revenue recognition.

Segments	For the three months period ended 30 June 2019					For the three months period ended 30 June 2018				
	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD
<i>Type of revenue</i>										
Services and maintenance	10,498,031	-	10,498,031	-	10,498,031	11,944,535	-	11,944,535	-	11,944,535
Constructions	3,450,721	-	3,450,721	-	3,450,721	5,146,005	-	5,146,005	-	5,146,005
Manpower supply	1,181,864	-	1,181,864	-	1,181,864	1,393,742	-	1,393,742	-	1,393,742
Sale of goods	-	12,180,872	12,180,872	-	12,180,872	-	11,387,200	11,387,200	-	11,387,200
Other operating income	-	-	-	32,436	32,436	-	-	-	101,400	101,400
Other income	-	-	-	144,082	144,082	-	-	-	150,410	150,410
	<u>15,130,616</u>	<u>12,180,872</u>	<u>27,311,488</u>	<u>176,518</u>	<u>27,488,006</u>	<u>18,484,282</u>	<u>11,387,200</u>	<u>29,871,482</u>	<u>251,810</u>	<u>30,123,292</u>
<i>Type of customer</i>										
Government	13,617,554	-	13,617,554	-	13,617,554	16,635,854	-	16,635,854	-	16,635,854
Non-government	1,513,062	12,180,872	13,693,934	176,518	13,870,452	1,848,428	11,387,200	13,235,628	251,810	13,487,438
	<u>15,130,616</u>	<u>12,180,872</u>	<u>27,311,488</u>	<u>176,518</u>	<u>27,488,006</u>	<u>18,484,282</u>	<u>11,387,200</u>	<u>29,871,482</u>	<u>251,810</u>	<u>30,123,292</u>
<i>Primary geographical markets</i>										
State of Kuwait	15,130,616	8,564,418	23,695,034	176,518	23,871,552	18,484,282	15,277,029	33,761,311	251,810	34,013,121
GCC	-	3,616,454	3,616,454	-	3,616,454	-	(3,889,829)	(3,889,829)	-	(3,889,829)
	<u>15,130,616</u>	<u>12,180,872</u>	<u>27,311,488</u>	<u>176,518</u>	<u>27,488,006</u>	<u>18,484,282</u>	<u>11,387,200</u>	<u>29,871,482</u>	<u>251,810</u>	<u>30,123,292</u>
<i>Contract duration</i>										
Short-term contracts	556,807	12,180,872	12,737,679	176,518	12,914,197	680,222	15,277,029	15,957,251	251,810	16,209,061
Long-term contracts	14,573,809	-	14,573,809	-	14,573,809	17,804,060	(3,889,829)	13,914,231	-	13,914,231
	<u>15,130,616</u>	<u>12,180,872</u>	<u>27,311,488</u>	<u>176,518</u>	<u>27,488,006</u>	<u>18,484,282</u>	<u>11,387,200</u>	<u>29,871,482</u>	<u>251,810</u>	<u>30,123,292</u>
<i>Timing of revenue recognition</i>										
Services/goods transferred at a point in time	13,948,752	-	13,948,752	176,518	14,125,270	17,090,540	-	17,090,540	251,810	17,342,350
Services transferred over time	1,181,864	12,180,872	13,362,736	-	13,362,736	1,393,742	11,387,200	12,780,942	-	12,780,942
	<u>15,130,616</u>	<u>12,180,872</u>	<u>27,311,488</u>	<u>176,518</u>	<u>27,488,006</u>	<u>18,484,282</u>	<u>11,387,200</u>	<u>29,871,482</u>	<u>251,810</u>	<u>30,123,292</u>

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10. REVENUES (CONITNUED)

Disaggregation of revenue from contracts with customers (Continued)

Segments	For the six months period ended 30 June 2019					For the six months period ended 30 June 2018				
	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD
<i>Type of revenue</i>										
Services and maintenance	18,816,215	-	18,816,215	-	18,816,215	20,947,251	-	20,947,251	-	20,947,251
Constructions	6,184,923	-	6,184,923	-	6,184,923	9,024,601	-	9,024,601	-	9,024,601
Manpower supply	2,118,322	-	2,118,322	-	2,118,322	2,444,219	-	2,444,219	-	2,444,219
Sale of goods	-	23,799,460	23,799,460	-	23,799,460	-	22,422,524	22,422,524	-	22,422,524
Other operating income	-	-	-	267,063	267,063	-	-	-	124,684	124,684
Other income	-	-	-	225,019	225,019	-	-	-	383,137	383,137
	<u>27,119,460</u>	<u>23,799,460</u>	<u>50,918,920</u>	<u>492,082</u>	<u>51,411,002</u>	<u>32,416,071</u>	<u>22,422,524</u>	<u>54,838,595</u>	<u>507,821</u>	<u>55,346,416</u>
<i>Type of customer</i>										
Government	24,407,514	-	24,407,514	-	24,407,514	29,174,464	-	29,174,464	-	29,174,464
Non-government	2,711,946	23,799,460	26,511,406	492,082	27,003,488	3,241,607	22,422,524	25,664,131	507,821	26,171,952
	<u>27,119,460</u>	<u>23,799,460</u>	<u>50,918,920</u>	<u>492,082</u>	<u>51,411,002</u>	<u>32,416,071</u>	<u>22,422,524</u>	<u>54,838,595</u>	<u>507,821</u>	<u>55,346,416</u>
<i>Primary geographical markets</i>										
State of Kuwait	27,119,460	16,733,491	43,852,951	492,082	44,345,033	32,416,071	15,277,029	47,693,100	507,821	48,200,921
GCC	-	7,065,969	7,065,969	-	7,065,969	-	7,145,495	7,145,495	-	7,145,495
	<u>27,119,460</u>	<u>23,799,460</u>	<u>50,918,920</u>	<u>492,082</u>	<u>51,411,002</u>	<u>32,416,071</u>	<u>22,422,524</u>	<u>54,838,595</u>	<u>507,821</u>	<u>55,346,416</u>
<i>Contract duration</i>										
Short-term contracts	997,996	23,799,460	24,797,456	492,082	25,289,538	1,192,911	15,277,029	16,469,940	507,821	16,977,761
Long-term contracts	26,121,464	-	26,121,464	-	26,121,464	31,223,160	7,145,495	38,368,655	-	38,368,655
	<u>27,119,460</u>	<u>23,799,460</u>	<u>50,918,920</u>	<u>492,082</u>	<u>51,411,002</u>	<u>32,416,071</u>	<u>22,422,524</u>	<u>54,838,595</u>	<u>507,821</u>	<u>55,346,416</u>
<i>Timing of revenue recognition</i>										
Services/goods transferred at a point in time	25,001,138	-	25,001,138	492,082	25,493,220	29,971,852	-	29,971,852	507,821	30,479,673
Services transferred over time	2,118,322	23,799,460	25,917,782	-	25,917,782	2,444,219	22,422,524	24,866,743	-	24,866,743
	<u>27,119,460</u>	<u>23,799,460</u>	<u>50,918,920</u>	<u>492,082</u>	<u>51,411,002</u>	<u>32,416,071</u>	<u>22,422,524</u>	<u>54,838,595</u>	<u>507,821</u>	<u>55,346,416</u>

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11. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing profit for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the period less weighted average number of treasury shares.

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
Profit for the period attributable to shareholders of the Parent Company (KD)	428,443	293,372	107,111	303,808
Weighted average number of outstanding shares during the period excluding treasury shares (shares)	164,995,499	164,995,499	164,995,499	164,995,499
Basic earnings per share (fils)	2.60	1.78	0.65	1.84

The Parent Company had no outstanding dilutive shares.

12. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly Meeting of the Parent Company shareholders held on 12 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 and approved no distribution of dividends for the year ended 31 December 2018.

13. CAPITAL COMMITMENTS CONTINGENT LIABILITIES

At the interim condensed consolidated statement of financial position date, the Group is contingently liable in respect of capital commitments and contingent liabilities are as follow:

	30 June 2019 KD	31 December 2018 (Audited) KD	30 June 2018 KD
Capital commitments			
Purchase of investment in associate	29,990,000	29,990,000	29,990,000
Contingent liabilities			
Letter of credits	1,114,599	1,116,078	1,812,645
Letter of guarantees	75,146,879	74,035,405	78,809,353
Letter of acceptances	636,040	613,023	408,154
	76,897,518	75,764,506	81,030,152

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14. SEGMENT INFORMATION

For management purposes the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- Oil and gas
- Retail
- Investments
- Construction

There are no inter-segmental transactions. The following segments are reported in a manner that is more consistent with internal reporting provided to the chief operating decision maker:

	Oil and gas		Retails		Investments		Constructions		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment operating revenues	28,513,370	32,549,649	22,765,239	20,911,767	6,256	-	126,137	1,885,000	51,418,483	55,346,416
Segment profit / (loss)	2,921,784	1,655,526	577,519	1,087,874	(2,468,723)	(2,016,139)	(132,168)	21,823	898,412	749,084
Segment Assets	125,700,768	130,713,992	31,823,725	46,409,229	82,017,775	48,667,028	13,255,350	12,557,312	252,797,618	238,347,561
Segment Liabilities	113,643,250	102,348,705	29,090,060	24,102,376	75,609,146	65,415,245	551,886	11,846,128	218,894,342	203,712,454

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15. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
 Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
 Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of 30 June 2019 the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

The level within which the financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 KD	Level 3 KD	Total KD
30 June 2019			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	5,739,031	5,739,031
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,068	-	4,068
	4,068	5,739,031	5,743,099
	Level 1 KD	Level 3 KD	Total KD
31 December 2018 (Audited)			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	5,739,031	5,739,031
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,234	-	4,234
	4,234	5,739,031	5,743,265

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15. FAIR VALUE MEASUREMENT (CONTINUED)

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
	<u>KD</u>	<u>KD</u>	<u>KD</u>
30 June 2018			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	5,740,748	5,740,748
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,838	-	4,838
	<u>4,838</u>	<u>5,740,748</u>	<u>5,745,586</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

During the period / year, there were no transfers between level 1, level 2 and level 3.

16. LEGAL CLAIMS

There are certain lawsuits raised by / against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's external Legal counsel, there will be no material adverse impact on the Group's interim condensed consolidated financial information. Hence, no provisions related to those lawsuits were recorded in the Group's records as of the date of the accompanying interim condensed consolidated financial information.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period presentation. Such reclassification did not affect previously reported profit or equity and accordingly additional third interim condensed consolidated statement of financial position is not presented.