

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

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

PKF

**Accountants &
business advisers**



C o n t e n t s

	Pages
Review Report	-
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	Exhibit – A
Interim Condensed Consolidated Statement of Income (Unaudited)	Exhibit – B
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)	Exhibit – C
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	Exhibit – D
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	Exhibit – E
Notes to Interim Condensed Consolidated Financial Information (Unaudited)	1 – 9



PKF Bouresli & Co.
Accountants &
business advisers
P.O. Box 20986, Safat 13070, Kuwait
Tel.: +965 22279330
Fax: +965 22279340
E-mail: tareq@pkf.com.kw
Website: www.pkf.com.kw

AL-WAHA
AUDITING OFFICE
ALI OWAIID RUKHAEYES



Member of Nexia International

Kuwait – Sharq – Ahmed Al Jaber St.,
Hyla Building – 2nd floor
Tel: (965) 2423415/7
(965) 22424919
Fax: (965) 22422026
P.O. Box 27387 Safat
13134 – State of Kuwait
Web: www.alwahauditing.com

Arabi Group Holdings K.S.C.P
Kuwait

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Interim Condensed Consolidated Financial Information

Introduction

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

Scope of Review

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

Conclusion

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

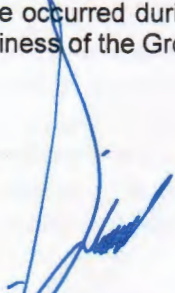
Emphasis of matter

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

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

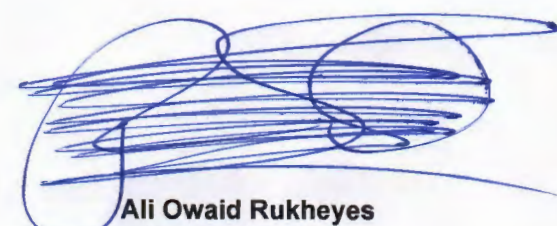
Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, no violations of the Company's Law No.1 of 2016, as amended, or of the Articles of Association of the Company have occurred during the six month period ended 30 June 2016 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
18 August 2016



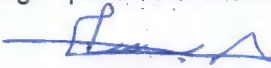
Ali Owaid Rukheyes
License No. 72-A
Member of Nexia International-(England)
Al Waha Auditing Office

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

Exhibit - A

	Note	Kuwaiti Dinars		
		30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Assets				
Current Assets				
Cash and cash equivalents		3,852,663	3,927,485	3,788,450
Trade and other receivables		63,941,967	57,741,970	120,530,016
Investment at fair value through profit or loss	5	6,018	5,658	6,049
Due from related parties		4,828,620	4,778,338	4,816,482
Contract in progress – due from customers		6,015,723	3,270,743	9,672,634
Inventories		24,545,094	24,627,668	24,697,677
		<u>103,190,085</u>	<u>94,351,862</u>	<u>163,511,308</u>
Non-current assets				
Investments available for sale	5	2,556,132	3,486,132	3,597,154
Investment in associate	6	69,304,770	69,304,770	1
Investment in properties	7	2,350,000	2,350,000	2,415,000
Investments in unconsolidated subsidiaries	8	551,625	551,774	604,829
Property and equipment		21,655,933	24,435,806	18,255,088
Goodwill		195,964	195,964	395,964
		<u>96,614,424</u>	<u>100,324,446</u>	<u>25,268,036</u>
Total assets		<u>199,804,509</u>	<u>194,676,308</u>	<u>188,779,344</u>
Liabilities and equity				
Current liabilities				
Bank overdrafts and promissory notes	9	23,241,531	24,691,347	19,529,713
Due to related parties		12,137,395	10,998,652	9,499,196
Trade and other payables	10	43,744,909	54,224,633	58,459,818
Term loans	11	54,671,570	34,968,938	36,883,282
		<u>133,795,405</u>	<u>124,883,570</u>	<u>124,372,009</u>
Non current liabilities				
Noncurrent portion of term loans	11	34,819,040	39,690,971	34,970,693
Post employment benefits		3,179,014	2,922,381	2,831,629
		<u>37,998,054</u>	<u>42,613,352</u>	<u>37,802,322</u>
Equity				
Attributable to the Company's shareholders				
Capital	12	17,296,224	16,472,594	16,472,594
Share premium		7,877,292	7,877,292	7,877,292
Statutory reserve		502,614	502,614	462,576
Voluntary reserve		272,663	502,614	462,576
Treasury share reserve		17,230	17,230	17,230
Revaluation reserve	13	2,223,931	2,223,931	2,223,931
Foreign currency translation adjustments		84,544	98,968	75,510
Fair valuation reserve		(1,743,063)	(1,743,063)	(1,632,041)
Retained (losses)/earnings		(103,794)	593,679	914,311
Treasury shares	14	(1,381,525)	(1,381,525)	(1,381,525)
		<u>25,046,116</u>	<u>25,164,334</u>	<u>25,492,454</u>
Non-controlling interests		<u>2,964,934</u>	<u>2,015,052</u>	<u>1,112,559</u>
Total equity		<u>28,011,050</u>	<u>27,179,386</u>	<u>26,605,013</u>
Total liabilities and equity		<u>199,804,509</u>	<u>194,676,308</u>	<u>188,779,344</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 June 2016 (Unaudited)

Exhibit - B

	Kuwaiti Dinars		Kuwaiti Dinars		
	3 months ended 30 June		6 months ended 30 June		
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)	
	Note				
Sales		9,734,306	11,890,092	17,738,575	23,545,042
Contract revenue		9,294,702	13,741,235	21,079,697	26,256,220
		<u>19,029,008</u>	<u>25,631,327</u>	<u>38,818,272</u>	<u>49,801,262</u>
Cost of sales		(7,274,693)	(9,095,056)	(12,966,731)	(18,849,045)
Contract costs		(7,933,657)	(12,030,289)	(17,632,616)	(22,477,565)
		<u>(15,208,350)</u>	<u>(21,125,345)</u>	<u>(30,599,347)</u>	<u>(41,326,610)</u>
Gross profit		3,820,658	4,505,982	8,218,925	8,474,652
General and administrative expenses		(2,318,906)	(2,521,683)	(4,655,090)	(4,513,548)
Depreciation		(145,616)	(154,931)	(292,969)	(310,801)
Provision for doubtful debts		(23,494)	(319,975)	(61,638)	(324,403)
Provision for slow moving inventory		(113,747)	(47,923)	(171,571)	(80,338)
Profit from operations		<u>1,218,895</u>	<u>1,461,470</u>	<u>3,037,657</u>	<u>3,245,562</u>
Unrealized gain/(loss) from investments at fair value through profit or loss		472	(980)	360	(883)
Share of (loss)/profit of unconsolidated subsidiaries		(657)	3,698	(149)	3,451
Other income		382,092	771,080	830,079	1,218,928
Interest expenses		<u>(1,583,747)</u>	<u>(1,697,054)</u>	<u>(3,658,634)</u>	<u>(3,619,083)</u>
Profit before contribution to KFAS, Zakat and NLST		17,055	538,214	209,313	847,975
KFAS		(6,637)	(3,695)	(12,509)	(5,337)
Zakat		(2,625)	(10,839)	(9,700)	(16,021)
National Labour Support Tax (NLST)		(8,691)	(27,098)	(17,479)	(40,052)
(Loss)/profit for the period		<u>(898)</u>	<u>496,582</u>	<u>169,625</u>	<u>786,565</u>
Attributable to:					
Equity holders of the Company		(107,109)	353,880	(103,794)	516,581
Non-controlling interest		<u>106,211</u>	<u>142,702</u>	<u>273,419</u>	<u>269,984</u>
		<u>(898)</u>	<u>496,582</u>	<u>169,625</u>	<u>786,565</u>
Basic and diluted earnings per share for the period (fils)	15	<u>(0.64)</u>	<u>2.13</u>	<u>(0.62)</u>	<u>3.10</u>

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

Arabi Group Holdings – K.S.C.P
Kuwait

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

Exhibit - C

	Kuwaiti Dinars		Kuwaiti Dinars	
	3 months ended 30 June		6 months ended 30 June	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
(Loss)/profit for the period	(898)	496,582	169,625	786,565
Other comprehensive income:				
Items that may be reclassified subsequently to income statement				
Change in foreign currency translation	3,226	11,019	(10,853)	71,199
Total comprehensive income for the period	<u>2,328</u>	<u>507,601</u>	<u>158,772</u>	<u>857,764</u>
Attributable to:				
Equity holders of the Company	(105,567)	364,352	(118,218)	594,637
Non-controlling interest	107,895	143,249	276,990	263,127
	<u>2,328</u>	<u>507,601</u>	<u>158,772</u>	<u>857,764</u>

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

Arabi Group Holdings – K.S.C.P
Kuwait

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

Exhibit – D

	Kuwaiti Dinars										Non controlling interest	Total Equity	
	Equity attributable to the Parent Company's Shareholders												
	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares reserve	Revaluation reserve	Foreign currency translation adjustments	Fair valuation reserve	Retained Earnings	Treasury shares			Total
Balance at 31 December 2015- Audited	16,472,594	7,877,292	502,614	502,614	17,230	2,223,931	98,968	(1,743,063)	593,679	(1,381,525)	25,164,334	2,015,052	27,179,386
Issue of bonus shares note 12	823,630	-	-	(229,951)	-	-	-	-	(593,679)	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	(14,424)	-	(103,794)	-	(118,218)	276,990	158,772
Contribution by non controlling interest	-	-	-	-	-	-	-	-	-	-	-	672,892	672,892
Balance at 30 June 2016- Unaudited	<u>17,296,224</u>	<u>7,877,292</u>	<u>502,614</u>	<u>272,663</u>	<u>17,230</u>	<u>2,223,931</u>	<u>84,544</u>	<u>(1,743,063)</u>	<u>(103,794)</u>	<u>(1,381,525)</u>	<u>25,046,116</u>	<u>2,964,934</u>	<u>28,011,050</u>
Balance at 31 December 2014- Audited	14,975,085	7,877,292	462,576	462,576	17,230	2,223,931	(2,546)	(1,632,041)	1,895,239	(1,381,525)	24,897,817	849,432	25,747,249
Issue of bonus shares	1,497,509	-	-	-	-	-	-	-	(1,497,509)	-	-	-	-
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	78,056	-	516,581	-	594,637	263,127	857,764
Balance at 30 June 2015- Unaudited	<u>16,472,594</u>	<u>7,877,292</u>	<u>462,576</u>	<u>462,576</u>	<u>17,230</u>	<u>2,223,931</u>	<u>75,510</u>	<u>(1,632,041)</u>	<u>914,311</u>	<u>(1,381,525)</u>	<u>25,492,454</u>	<u>1,112,559</u>	<u>26,605,013</u>

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

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

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

	Exhibit - E	
	Kuwaiti Dinars	
	6 months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Cash flows – operating activities		
Profit for the period	169,625	786,565
<i>Adjustments for:</i>		
Depreciation and amortization	920,616	766,294
(Gain)/loss on sale of property and equipment	(25,192)	9,880
Unrealized (gain)/loss from investments at fair value through profit or loss	(360)	883
Shares of loss/(profit) from unconsolidated subsidiaries	149	(3,451)
Interest expense	3,658,634	3,619,083
Operating profit before changes in working capital	4,723,472	5,179,254
(Increase)/decrease in trade and other receivables	(6,199,997)	1,466,067
Increase in due from related parties	(50,282)	(711,470)
Increase in due from customers for contract work	(2,744,980)	(5,864,318)
Decrease/(increase) in inventories	82,574	(452,008)
(Decrease)/increase in trade and other payables	(10,479,724)	3,871,927
Increase in due to related parties	1,138,743	1,148,649
Increase in post-employment benefits	256,633	334,392
Net cash (used in)/from operating activities	(13,273,561)	4,972,493
Cash flows from investing activities		
Purchase of property and equipment – net	(1,469,838)	(2,136,411)
Proceeds from sale of property and equipment	3,354,287	12,115
Disposal of available for sale of investments	930,000	-
Net cash from/(used in) investing activities	2,814,449	(2,124,296)
Cash flows from financing activities		
(Decrease)/increase in bank overdrafts and promissory notes	(1,449,816)	516,170
Increase/(decrease) in term loans	14,830,701	(57,731)
Interest paid	(3,658,634)	(3,619,083)
Contribution by minority interest	672,892	-
Net cash from/(used in) financing activities	10,395,143	(3,160,644)
Net decrease in cash on hand and at banks	(63,969)	(312,447)
Effect of exchange rate changes on cash and cash equivalents	(10,853)	71,199
Cash and cash equivalents at the beginning of the period	3,927,485	4,029,698
Cash and cash equivalents at the end of the period	3,852,663	3,788,450

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.

The Companies Law issued on 24 January 2016 pursuant to Decree of Law no.1 of 2016 (the "Companies Law"), has cancelled the Decree of Companies' Law no. 25 of 2012. The new Companies Law was published in the Official Gazette on 1 February 2016.

This interim condensed consolidated financial information was authorized for issue by the Board of Directors on 18 August 2016.

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

2. Basis of presentation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of interim condensed consolidated financial information are consistent with those used in preparation of annual financial statements for the year ended 31 December 2015.

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

3. Critical accounting judgment and estimates

Receivable from contract customers and related parties

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

(i) *Legal receivables*

The Group has receivables amount of KD 11,347,255 (31 December 2015: KD 11,622,121; 30 June 2015: KD 11,516,236) from contract customers which are under legal dispute. Presently, the matters are referred by Court and are under various stages. The Group's management is confident and it estimates that the carrying amount of the assets will be recovered in full and are not impaired.

(ii) *Non legal receivables*

The Group has net receivables amount of KD 1,689,220 (31 December 2015: KD 1,561,508; 30 June 2015: KD 1,673,041) from contract customers with respect to partly or completed contracts. The management is in the process of obtaining acceptance from the contract customers towards work executed and completing the contacts. The Group's management is confident and it estimates that the carrying amount of the assets will be recovered in full and is not impaired.

With respect to the above total receivables of KD 13,036,475 (31 December 2015: KD 13,183,629; 30 June 2015: KD 13,189,277); KD 10,505,597 (31 December 2015: KD 10,897,946; 30 June 2015: KD 10,709,635) is included in trade receivables and KD 2,530,878 (31 December 2015: KD 2,285,683; 30 June 2015: KD 2,479,642) is included in contract in progress.

4. Subsidiaries

The principal subsidiaries are:

Subsidiary	Country of incorporation	Percentage of Ownership		
		30 June 2016	31 Dec 2015	30 June 2015
Arabi Company WLL	Kuwait	100%	100%	100%
Arabi Engineering and Mechanical Works Company WLL	Kuwait	100%	100%	100%
Arabi Enertech Co KSCC	Kuwait	73.08%	73.08%	73.08%
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				
Kuwait Health Assurance Company	Kuwait	26%	26%	-
Agricultural Environmental Projects Company W.L.L.	Kuwait	40%	40%	40%

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

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.

During the period 2016, the paid up capital of Arabi Enertech Co., KSCC has been increased from KD 10,525,000 to KD 13,025,000.

The Parent Company has consolidated the interim condensed financial information (unaudited) of all its subsidiaries which are been reviewed by independent auditors for the six months ended 30 June 2016 while preparing this interim condensed consolidated financial information (unaudited). Total assets of the subsidiaries amounted to KD 135,727,914 as of 30 June 2016 (30 June 2015: KD 119,473,895) and the subsidiaries net profit was KD 1,424,502 for the six months ended 30 June 2016 (30 June 2015: KD 1,931,924).

5. Investments

	Kuwaiti Dinars		
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Investments at fair value through profit & loss:			
Quoted securities held for trading	6,018	5,658	6,049
	<u>6,018</u>	<u>5,658</u>	<u>6,049</u>
Investments available for sale:			
Un quoted securities	2,556,132	3,486,132	3,597,154
	<u>2,556,132</u>	<u>3,486,132</u>	<u>3,597,154</u>

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

6. Investment in associate

The Group has the following investment in associates:

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

Following are the movement on investment in associates:

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

Kuwait Health Assurance Company KSCC (KHAC) in Kuwait

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

During the year 2015, all the formalities of establishing a new company (KHAC) have been completed and accordingly, the Group has accounted KD 69,304,769 as investment in associates as per IAS 28. Previously, it was disclosed as advance under trade and other receivables. Investment in associates includes the purchase price and other costs attributable to its acquisition.

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

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

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

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

Agricultural Environmental Projects Company W.L.L

The Group does not recognize future profit/(loss), as its share of losses in associate exceeds its interest in the associate. The assets, liabilities, revenues and loss of associate are as follows:

	Kuwaiti Dinars			
	Assets	Liabilities	Revenue	Net (loss)/ profit
30 June 2016 (Unaudited)	2,298,184	2,836,510	54,880	(164,918)
31 December 2015 (Audited)	2,458,655	2,817,063	1,002,449	24,610
30 June 2015 (Unaudited)	2,631,740	3,268,298	299,470	(253,541)

7. Investment in properties

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

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

8. Investment in unconsolidated subsidiaries

Name	Percentage of holding %	Kuwaiti Dinars		
		30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Daleel International Co. W.L.L.	100	-	-	-
Call to Connect India Private Limited	60	10,178	9,834	62,888
Workers Equity Holding – B.S.C. (Closed)	60	441,447	441,940	441,941
Mobivision Holding Company – B.S.C. (Closed)	60	-	-	-
Arabi Aviation Company	100	100,000	100,000	100,000
KEY BS JLT- WLL	100	-	-	-
		551,625	551,774	604,829

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 / (loss) from these subsidiaries for the six months ended 30 June 2016 has been recognised based on their management accounts.

9. Bank overdrafts and promissory notes

The effective interest rates on bank overdraft facilities and promissory notes were 2% to 4% per annum (31 December 2015: 2% to 4%; 30 June 2015: 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 3,147,762 (31 December 2015: KD 3,373,499; 30 June 2015: KD 3,217,252) carries an effective interest rate of 2% to 7.5% (31 December 2015: 2% to 7.5%; 30 June 2015: 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.

10. Trade and other payables

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

11. Term loans

	Kuwaiti Dinars		
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Current			
Short term loans	39,419,504	23,842,708	19,638,679
Current portion of long term loans	15,252,066	11,126,230	17,244,603
	<u>54,671,570</u>	<u>34,968,938</u>	<u>36,883,282</u>
Non current			
Noncurrent portion of long term loans	34,819,040	39,690,971	34,970,693
	<u>89,490,610</u>	<u>74,659,909</u>	<u>71,853,975</u>

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

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

12. Equity

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

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

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

Bonus issue

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

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

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

13. Revaluation reserve

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

14. Treasury shares

	Kuwaiti Dinars		
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Number of shares (share)	6,836,655	6,511,518	6,511,383
Percentage of issued shares (%)	3.95%	3.95%	3.95%
Market value (KD)	423,873	533,944	716,252
Cost (KD)	1,381,525	1,381,525	1,381,525

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

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	3 months ended 30 June		6 months ended 30 June	
	2016	2015	2016	2015
(Loss)/profit attributable to equity holders of the Company	(107,109)	353,880	(103,794)	516,581
	Shares	Shares	Shares	Shares
Weighted average number of shares outstanding during the period	166,125,587	166,450,859	166,125,436	166,450,859
Earnings per transactions – Basic and diluted (fils)	(0.64)	2.13	(0.62)	3.10

16. Related party transactions

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	3 months ended 30 June		6 months ended 30 June	
	2016	2015	2016	2015
Key management compensation	46,500	46,500	93,000	93,000
General and administrative expenses	15,750	15,750	31,500	31,500
Interest expenses	90,437	88,471	178,908	175,959

17. Segment information

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

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

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

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

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

	Kuwaiti Dinars				Total
	Retail operations	Engineering operations	Electrical operations	Unallocated items and eliminations	
Six months ended 30 June 2016 (Unaudited)					
Segment revenue	15,068,436	22,035,237	1,721,033	(6,434)	38,818,272
Segment results	345,008	1,055,601	23,893	(1,254,877)	169,625
Six months ended 30 June 2015 (Unaudited)					
Segment revenue	15,195,794	34,453,835	163,769	(12,136)	49,801,262
Segment results	837,522	1,074,478	19,924	(1,145,359)	786,565

18. Contingent liabilities

The group was contingently liable in respect of the following

	Kuwaiti Dinars		
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2015 (Unaudited)
Documentary letters of credit	3,880,397	2,131,805	3,329,122
Letters of guarantees	49,698,839	47,591,837	45,667,075
Letters of acceptance	144,805	158,112	459,815
	<u>53,724,041</u>	<u>49,881,754</u>	<u>49,456,012</u>

19. General Assembly of Shareholders

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