

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

**Interim Condensed Consolidated
Financial Information
30 June 2017 (Unaudited)**



Crowe Horwath™

Horwath Al-Muhanna & Co.
Certified Accountants
Member Crowe Horwath International

<u>Contents</u>	<u>Pages</u>
Review Report	1-2
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	3
Interim Condensed Consolidated Statement of Income (Unaudited)	4
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)	5
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	6
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	7
Notes to Interim Condensed Consolidated Financial Information (Unaudited)	8 - 16

Report on review of interim condensed consolidated financial information

To the board of directors of
Arabi Group Holdings K.S.C.P
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabi Group Holdings K.S.C.P (the "Parent Company") and its subsidiaries (collectively the "Group") as of 30 June 2017 and the interim condensed consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month 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 2017 does not include any adjustments that might result from uncertainties regarding the outcome of Court judgments and acceptance and completion of contracts.

We draw attention to note 10 to the interim condensed consolidated financial information towards funds availed through a third party for Group's investment in associate for which settlement arrangement with the third party is under negotiation.



Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six month period ended 30 June 2017 that might have had a material effect on the business or financial position of the Parent Company.



Rabea Saad Al-Muhanna
License No. 152-A
Horwath Al-Muhanna & Co.

Kuwait
14 August 2017

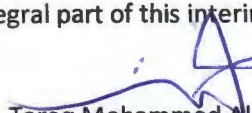
Arabi Group Holdings – K.S.C.P

Kuwait

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2017 (Unaudited)

		30 June 2017 KD (Unaudited)	31 December 2016 KD (Audited)	30 June 2016 KD (Unaudited)
	Note			
Assets				
Current Assets				
Cash and cash equivalents		4,171,197	4,007,718	3,852,663
Trade and other receivables		78,770,563	81,261,424	63,941,967
Investment at fair value through profit or loss	5	5,469	5,774	6,018
Due from related parties		3,636,863	2,719,716	4,828,620
Contract in progress – due from customers		4,486,195	3,378,807	6,015,723
Inventories		33,706,738	22,550,212	24,545,094
		<u>124,777,025</u>	<u>113,923,651</u>	<u>103,190,085</u>
Non-current assets				
Investments available for sale	5	5,751,303	5,744,227	2,556,132
Investment in associate	6	69,456,666	69,422,871	69,304,770
Investment properties	7	2,330,000	2,330,000	2,350,000
Investments in unconsolidated subsidiaries	8	100,000	565,543	551,625
Property and equipment		26,358,428	23,274,637	21,655,933
Goodwill		-	-	195,964
		<u>103,996,397</u>	<u>101,337,278</u>	<u>96,614,424</u>
Total assets		<u>228,773,422</u>	<u>215,260,929</u>	<u>199,804,509</u>
Liabilities and equity				
Current liabilities				
Bank overdrafts and promissory notes	9	27,363,821	22,739,439	23,241,531
Due to related parties		14,037,429	13,739,997	12,137,395
Trade and other payables	10	53,165,916	43,614,006	43,744,909
Term loans –Current portion	11	52,633,122	51,841,851	54,671,570
		<u>147,200,288</u>	<u>131,935,293</u>	<u>133,795,405</u>
Non-current liabilities				
Term loans - Non-current portion	11	43,911,759	46,365,408	34,819,040
Post employment benefits		3,702,916	3,364,036	3,179,014
		<u>47,614,675</u>	<u>49,729,444</u>	<u>37,998,054</u>
Equity				
Attributable to the parent company's shareholder				
Share capital	12	17,296,224	17,296,224	17,296,224
Share premium		7,877,292	7,877,292	7,877,292
Statutory reserve		554,248	554,248	502,614
Voluntary reserve		324,297	324,297	272,663
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		97,300	121,627	84,544
Fair valuation reserve		309,626	309,626	(1,743,063)
Retained earnings/(losses)		298,405	241,752	(103,794)
Treasury shares	14	(1,441,158)	(1,381,525)	(1,381,525)
		<u>27,557,395</u>	<u>27,584,702</u>	<u>25,046,116</u>
Non-controlling interests		<u>6,401,064</u>	<u>6,011,490</u>	<u>2,964,934</u>
Total equity		<u>33,958,459</u>	<u>33,596,192</u>	<u>28,011,050</u>
Total liabilities and equity		<u>228,773,422</u>	<u>215,260,929</u>	<u>199,804,509</u>

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


Tareq Mohammed Al Maoushargi
Chairman

Arabi Group Holdings – K.S.C.P
Kuwait

Interim Condensed Consolidated Statement of Income for the period ended 30 June 2017 (Unaudited)

	Note	3 months ended 30 June		6 months ended 30 June	
		2017	2016	2017	2016
		KD (Unaudited)	KD (Unaudited)	KD (Unaudited)	KD (Unaudited)
Sales		10,457,813	9,734,306	19,718,199	17,738,575
Contract revenue		17,601,716	9,294,702	32,252,424	21,079,697
		<u>28,059,529</u>	<u>19,029,008</u>	<u>51,970,623</u>	<u>38,818,272</u>
Cost of sales		(7,541,766)	(7,274,693)	(14,557,648)	(12,966,731)
Contract costs		(15,315,512)	(7,933,657)	(27,497,583)	(17,632,616)
		<u>(22,857,278)</u>	<u>(15,208,350)</u>	<u>(42,055,231)</u>	<u>(30,599,347)</u>
Gross profit		5,202,251	3,820,658	9,915,392	8,218,925
General and administrative expenses		(2,492,552)	(2,318,906)	(4,872,389)	(4,655,090)
Depreciation		(224,763)	(145,616)	(358,737)	(292,969)
Provision for doubtful debts		(30,247)	(23,494)	(65,978)	(61,638)
Provision for slow moving inventory		(56,575)	(113,747)	(97,449)	(171,571)
Profit from operations		2,398,114	1,218,895	4,520,839	3,037,657
Unrealized (loss)/gain from investments at fair value through profit or loss		(243)	472	(305)	360
Share of results from associates		-	-	33,795	-
Share of loss of unconsolidated Subsidiaries		-	(657)	(285)	(149)
Impairment of investment in unconsolidated subsidiaries		(443,346)	-	(443,346)	-
Gain on sale of unconsolidated Subsidiary		105,268	-	105,268	-
Other income		682,913	382,092	861,229	830,079
Interest expenses		(2,444,506)	(1,583,747)	(4,613,382)	(3,658,634)
Profit before contribution to KFAS, Zakat and NLST		298,200	17,055	463,813	209,313
Directors fees reversed	19	30,000	-	30,000	-
KFAS		(8,515)	(6,637)	(13,447)	(12,509)
Zakat		(10,447)	(2,625)	(17,619)	(9,700)
National Labour Support Tax (NLST)		(6,819)	(8,691)	(14,360)	(17,479)
Profit/(loss) for the period		302,419	(898)	448,387	169,625
Attributable to:					
Equity holders of the Company		54,396	(107,109)	56,653	(103,794)
Non-controlling interest		248,023	106,211	391,734	273,419
		<u>302,419</u>	<u>(898)</u>	<u>448,387</u>	<u>169,625</u>
Basic and diluted earnings per share for the period (fils)	15	<u>0.33</u>	<u>(0.64)</u>	<u>0.34</u>	<u>(0.62)</u>

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

Arabi Group Holdings – K.S.C.P

Kuwait

Interim Condensed Consolidated Statement of Comprehensive Income for the period ended 30 June 2017
(Unaudited)

	3 months ended 30 June		6 months ended 30 June	
	2017 KD (Unaudited)	2016 KD (Unaudited)	2017 KD (Unaudited)	2016 KD (Unaudited)
Profit/(loss) for the period	302,419	(898)	448,387	169,625
Other comprehensive income:				
Items that may be reclassified subsequently to income statement				
Change in foreign currency translation	<u>(3,968)</u>	<u>3,226</u>	<u>(26,487)</u>	<u>(10,853)</u>
Total comprehensive income for the Period	<u>298,451</u>	<u>2,328</u>	<u>421,900</u>	<u>158,772</u>
Attributable to:				
Equity holders of the Company	48,809	(105,567)	32,326	(118,218)
Non-controlling interest	<u>249,642</u>	<u>107,895</u>	<u>389,574</u>	<u>276,990</u>
	<u>298,451</u>	<u>2,328</u>	<u>421,900</u>	<u>158,772</u>

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

Arabi Group Holdings – K.S.C.P
Kuwait

Interim Condensed Consolidated Statement of Changes in Equity for the period ended 30 June 2017 (Unaudited)

Attributable to the parent company's shareholder

	Share capital		Share premium		Statutory reserve		Voluntary reserve		Treasury shares reserve		Revaluation reserve		Foreign currency translation adjustments		Fair valuation reserve		Retained earnings / (losses)		Treasury shares		Sub total		Non - controlling interests		Total Equity			
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	
Balance at 1 January 2017 (audited)	17,296,224	7,877,292	554,248	324,297	17,230	2,223,931	121,627	309,626	241,752	(1,381,525)	27,584,702	6,011,490	33,596,192															
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	(24,327)	56,653	-	32,326	389,574	421,900																
Purchase of treasury shares	-	-	-	-	-	-	-	-	(59,633)	(59,633)																		
Balance at 30 June 2017 (unaudited)	17,296,224	7,877,292	554,248	324,297	17,230	2,223,931	97,300	309,626	298,405	(1,441,158)	27,557,395	6,401,064	33,958,459															
Balance at 1 January 2016 (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	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)	17,296,224	7,877,292	502,614	272,663	17,230	2,223,931	84,544	(1,743,063)	(103,794)	(1,381,525)	25,046,116	2,964,934	28,011,050															

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

Interim Condensed Consolidated Statement of Cash Flows for the period ended 30 June 2017 (Unaudited)

	6 months ended 30 June	
	2017 KD (Unaudited)	2016 KD (Unaudited)
Cash flows – operating activities		
Profit for the period	448,387	169,625
<i>Adjustments for:</i>		
Depreciation	1,122,661	920,616
Gain on sale of property and equipment	(26,475)	(25,192)
Unrealized loss / (gain) from investments at fair value through profit or loss	305	(360)
Share of results from associate	(33,795)	-
Impairment of investments in unconsolidated subsidiaries	443,346	-
Shares of loss from unconsolidated subsidiaries	285	149
gain on sale of unconsolidated subsidiaries	(105,268)	-
Interest expense	4,613,382	3,658,634
Operating profit before changes in working capital	6,462,828	4,723,472
Decrease / (increase) in trade and other receivables	2,490,861	(6,199,997)
Increase in due from related parties	(917,147)	(50,282)
Increase in due from customers for contract work	(1,107,388)	(2,744,980)
(Increase) / decrease in inventories	(11,156,526)	82,574
Increase / (decrease) in trade and other payables	9,551,910	(10,479,724)
Increase in due to related parties	297,432	1,138,743
Increase in post-employment benefits	338,880	256,633
Net cash from / (used in) operating activities	5,960,850	(13,273,561)
Cash flows from investing activities		
Purchase of property and equipment – net	(4,225,697)	(1,469,838)
Proceeds from sale of property and equipment	45,720	3,354,287
Proceeds from sale of unconsolidated subsidiaries	127,180	-
(Acquisition)/disposal of Investments available for sale	(7,076)	930,000
Net cash (used in) / from investing activities	(4,059,873)	2,814,449
Cash flow from financing activities		
Increase / (decrease) in bank overdrafts and promissory notes	4,624,382	(1,449,816)
(Decrease) / increase in term loans	(1,662,378)	14,830,701
Purchase of treasury shares	(59,633)	-
Interest paid	(4,613,382)	(3,658,634)
Contribution by minority interest	-	672,892
Net cash (used in) / from financing activities	(1,711,011)	10,395,143
Net increase / (decrease) in cash and cash equivalents	189,966	(63,969)
Effect of exchange rate changes on cash and cash equivalents	(26,487)	(10,853)
Cash and cash equivalents at the beginning of the period	4,007,718	3,927,485
Cash and cash equivalents at the end of the period	4,171,197	3,852,663

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

1. Establishment and activities of the Company

Arabi Group Holdings K.S.C.P (the Parent Company) is a Kuwaiti shareholding company incorporated on 5 December 1982 and is listed on the Kuwait Stock Exchange. The registered office of the Parent Company is P.O. Box 4090, Safat, 13041, Kuwait and its principal activities are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and participating in the establishment of such companies
- Participating in the management of companies in which it owns shares.
- Lending money to companies in which it owns shares, and guaranteeing third party loans in companies where it owns 20% or more of the capital of the borrowing company.
- Owning industrial rights such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies within or outside the State of Kuwait.
- Owning real estate and movable property to conduct its operations.

The Parent Company and its subsidiaries: Arabi Company W.L.L., Arabi Engineering and Mechanical Works Company W.L.L. and Arabi Enertech Co. KSCC are collectively referred to as "the Group" in this interim condensed consolidated financial information.

The new Companies Law No.1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new executive regulation of Law No.1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the executive regulations of Law No. 25 of 2012.

This interim condensed consolidated financial information was authorized for issue by the Board of Directors on 14 August 2017.

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 2016.

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 2017 are not necessarily indicative of the results that may be expected for the year ending 31 December 2017. 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 2016.

3. Critical accounting judgment and estimates

Recoverability from contract customers – trade receivables & contract in progress

(i) *Legal receivables*

The Group has receivables amount of KD 12,478,978 (31 December 2016: KD 12,176,436; 30 June 2016: KD 11,347,255) 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 1,696,543 (31 December 2016: KD 1,696,543; 30 June 2016: KD 1,689,220) 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 14,175,521 (31 December 2016: KD 13,872,979; 30 June 2016: KD 13,036,475); KD 11,297,282 (31 December 2016: KD 11,279,018; 30 June 2016: KD 10,505,597) is included in trade receivables and KD 2,878,239 (31 December 2016: KD 2,593,961; 30 June 2016: KD 2,530,878) is included in contract in progress.

4. Subsidiaries and associates

The principal subsidiaries are:

Subsidiary	Country of incorporation	Percentage of Ownership		
		30 June 2017	31 Dec 2016	30 June 2016
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	70%	70%	70%
Associate				
Kuwait Health Assurance Company	Kuwait	26%	26%	26%
Agricultural Environmental Projects Company W.L.L	Kuwait	40%	40%	40%

4. Subsidiaries and associates (continued)

0.05% of the ownership in Arabi Company WLL and 0.20% of the ownership in Arabi Engineering and Mechanical Works Company WLL are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of these shares in the subsidiaries.

The Parent Company has consolidated the interim condensed financial information (unaudited) of all its subsidiaries which are been reviewed by independent auditors for the six months ended 30 June 2017 while preparing this interim condensed consolidated financial information (unaudited). Total assets of the subsidiaries amounted to KD 172,678,649 as of 30 June 2017 (30 June 2016: KD 135,727,914) and the subsidiaries net profit was KD 2,127,491 for the six months ended 30 June 2017 (30 June 2016: KD 1,424,502).

5. Investments

	30 June 2017 KD <u>(Unaudited)</u>	31 December 2016 KD <u>(Audited)</u>	30 June 2016 KD <u>(Unaudited)</u>
Investments at fair value through profit & loss:			
Quoted securities held for trading	<u>5,469</u>	<u>5,774</u>	<u>6,018</u>
	<u>5,469</u>	<u>5,774</u>	<u>6,018</u>
Investments available for sale:			
Un quoted securities	<u>5,751,303</u>	<u>5,744,227</u>	<u>2,556,132</u>
	<u>5,751,303</u>	<u>5,744,227</u>	<u>2,556,132</u>

Unquoted investments of KD 289,414 (31 December 2016: KD 282,335; 30 June 2016: KD 1,280,869) 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:

		30 June 2017 KD <u>(Unaudited)</u>	31 December 2016 KD <u>(Audited)</u>	30 June 2016 KD <u>(Unaudited)</u>
Associates	<u>Percentage of ownership</u>			
Kuwait Health Assurance Company KSCC	26%	<u>69,456,665</u>	<u>69,422,870</u>	<u>69,304,769</u>
Agricultural Environmental Projects Company W.L.L	40%	<u>1</u>	<u>1</u>	<u>1</u>
		<u>69,456,666</u>	<u>69,422,871</u>	<u>69,304,770</u>

6. Investment in associate (continued)

Following are the movement on investment in associates:

	30 June 2017 KD (Unaudited)	31 December 2016 KD (Audited)	30 June 2016 KD (Unaudited)
Opening balance	69,422,871	69,304,770	69,304,770
Share of results	33,795	118,101	-
Closing balance	69,456,666	69,422,871	69,304,770

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). Presently, the associate is in pre-operational phase and has not commenced its commercial operations.

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 acquisition of an associate was mainly funded by availing term loans from banks, funds received from related parties and through third party (note 10). The Group has promise to mortgage entire 26% its share in KHAC against loans obtained by the Group as disclosed in note 11.

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 profit of associate are as follows:

	Assets KD	Liabilities KD	Revenue KD	Net profit KD
31 March 2017 (Unaudited)	119,170,272	386,057	466,944	129,980
31 December 2016 (Audited)	118,897,739	243,504	3,002,625	454,235

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:

	Assets KD	Liabilities KD	Revenue KD	Net (loss)/ profit KD
30 June 2017 (Unaudited)	2,120,958	2,572,137	36,654	(67,064)
31 December 2016 (Audited)	2,159,791	2,542,656	305,049	20,542
30 June 2016 (Unaudited)	2,298,184	2,836,510	54,880	(164,918)

7. Investment in properties

	30 June 2017 KD <u>(Unaudited)</u>	31 December 2016 KD <u>(Audited)</u>	30 June 2016 KD <u>(Unaudited)</u>
Opening balance	2,330,000	2,350,000	2,350,000
Change in fair value	-	(20,000)	-
Closing balance	<u>2,330,000</u>	<u>2,330,000</u>	<u>2,350,000</u>

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

8. Investment in unconsolidated subsidiaries

<u>Name</u>	Percentage of holding %	30 June 2017 KD <u>(Unaudited)</u>	31 December 2016 KD <u>(Audited)</u>	30 June 2016 KD <u>(Unaudited)</u>
Daleel International Co. W.L.L.	100	-	-	-
Call to Connect India Private Limited	60*	-	23,752	10,178
Workers Equity Holding – B.S.C. (Closed)	60**	-	441,791	441,447
Mobivision Holding Company – B.S.C. (Closed)	60	-	-	-
Arabi Aviation Company	100	100,000	100,000	100,000
KEY BS JLT- WLL	100	-	-	-
		<u>100,000</u>	<u>565,543</u>	<u>551,625</u>

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 2017 has been recognised based on their management accounts.

* Disposed during the period for a consideration of KD 127,180.

** Fully impaired during the period.

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 2016: 2% to 4%; 30 June 2016: 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 2,850,264 (31 December 2016: KD 2,980,050; 30 June 2016: KD 3,147,762) carries an effective interest rate of 2% to 7.5% (31 December 2016: 2% to 7.5%; 30 June 2016: 2% to 7.5%) 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 2016: KD 21,528,000; 30 June 2016: 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

	30 June 2017 KD <u>(Unaudited)</u>	31 December 2016 KD <u>(Audited)</u>	30 June 2016 KD <u>(Unaudited)</u>
Current			
Short term loans	39,164,092	38,347,019	39,419,504
Current portion of long term loans	<u>13,469,030</u>	<u>13,494,832</u>	<u>15,252,066</u>
	<u>52,633,122</u>	<u>51,841,851</u>	<u>54,671,570</u>
Non current			
Noncurrent portion of long term loans	<u>43,911,759</u>	<u>46,365,408</u>	<u>34,819,040</u>
	<u>96,544,881</u>	<u>98,207,259</u>	<u>89,490,610</u>

The effective interest rate on short term loans which are repayable within one year was 4% to 8% per annum (31 December 2016: 4% to 8%; 30 June 2016: 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 2016: 4% to 7.5%; 30 June 2016: 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 2016: 172,962,242 and 30 June 2016: 172,962,242 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 2016: 172,962,242 and 30 June 2016: 172,962,242 shares of 100 fils each).

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

	30 June 2017 KD (Unaudited)	31 December 2016 KD (Audited)	30 June 2016 KD (Unaudited)
Number of shares (share)	7,523,433	6,836,655	6,836,655
Percentage of issued shares (%)	4.35%	3.95%	3.95%
Market value (KD)	662,062	444,383	423,873
Cost (KD)	1,441,157	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:

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2017	2016	2017	2016
	KD	KD	KD	KD
Profit / (loss) attributable to equity holders of the Company	<u>54,396</u>	<u>(107,109)</u>	<u>56,653</u>	<u>(103,794)</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares outstanding during the period	<u>165,438,809</u>	<u>166,125,587</u>	<u>165,787,070</u>	<u>166,125,436</u>
Earnings per transactions – Basic and diluted (fils)	<u>0.33</u>	<u>(0.64)</u>	<u>0.34</u>	<u>(0.62)</u>

16. Related party transactions

During the period ended 30 June 2017 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;

	<u>3 months ended 30 June</u>		<u>6 months ended 30 June</u>	
	2017	2016	2017	2016
	KD	KD	KD	KD
Key management compensation	116,400	73,770	178,650	147,540
General and administrative expenses	-	15,750	-	31,500
Interest expenses	89,454	90,437	177,925	178,908

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.

	Retail operations	Engineering operations	Electrical operations	Unallocated items and eliminations	Total
	KD	KD	KD	KD	KD
Six months ended 30 June 2017 (Unaudited)					
Segment revenue	<u>17,067,103</u>	<u>33,293,961</u>	<u>1,615,030</u>	<u>(5,471)</u>	<u>51,970,623</u>
Segment results	<u>646,053</u>	<u>1,463,051</u>	<u>18,386</u>	<u>(1,679,103)</u>	<u>448,387</u>
Six months ended 30 June 2016 (Unaudited)					
Segment revenue	<u>15,068,436</u>	<u>22,035,237</u>	<u>1,721,033</u>	<u>(6,434)</u>	<u>38,818,272</u>
Segment results	<u>345,008</u>	<u>1,055,601</u>	<u>23,893</u>	<u>(1,254,877)</u>	<u>169,625</u>

18. Contingent liabilities

The group was contingently liable in respect of the following

	30 June 2017 KD (Unaudited)	31 December 2016 KD (Audited)	30 June 2016 KD (Unaudited)
Documentary letters of credit	5,380,558	2,108,095	3,880,397
Letters of guarantees	70,479,753	76,154,395	49,698,839
Letters of acceptance	106,123	67,892	144,805
	<u>75,966,434</u>	<u>78,330,382</u>	<u>53,724,041</u>

19. General Assembly of Shareholders

The shareholders Annual General Assembly held on 4 July 2017 approved the annual audited consolidated financial statements for the year ended 31 December 2016 except for the Board of Directors remuneration of KD 30,000. This amount is reversed during the current period.

20. Comparative figures

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