

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

**Interim Condensed Consolidated  
Financial Information  
31 March 2017 (Unaudited)**

**PKF**

**Accountants &  
business advisers**



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

**INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS**

**Report on Review of Interim Condensed Consolidated Financial Information**

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabi Group Holdings K.S.C.P ('the Company) and its subsidiaries (together called "the Group"), as of 31 March 2017 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

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

*Conclusion*

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

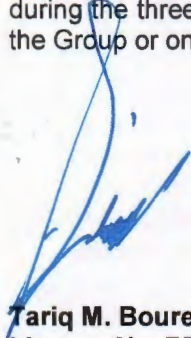
**Emphasis of matter**

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 31 March 2017 does not include any adjustments that might results from uncertainties regarding the outcome of Court judgments and acceptance and completion of contracts.

We draw attention to note 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, we have not become aware of any violations of the Company's Law No 1 of 2016, and its executive regulations or of the Company's Memorandum of Incorporation and Articles of Association, as amended during the three month period ended 31 March 2017 that might have had a material effect on the business of the Group or on its interim condensed consolidated financial position.



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

Interim Condensed Consolidated Statement of Financial Position as at 31 March 2017 (Unaudited)

		Exhibit - A		
		Kuwaiti Dinars		
		31 March 2017	31 December 2016	31 March 2016
	Note	(Unaudited)	(Audited)	(Unaudited)
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents		3,425,863	4,007,718	4,345,471
Trade and other receivables		79,491,472	81,261,424	61,821,432
Investment at fair value through profit or loss	5	5,712	5,774	5,546
Due from related parties		3,295,607	2,719,716	4,842,440
Contract in progress – due from customers		4,476,734	3,378,807	3,327,588
Inventories		28,333,960	22,550,212	24,211,401
		<u>119,029,348</u>	<u>113,923,651</u>	<u>98,553,878</u>
<b>Non-current assets</b>				
Investments available for sale	5	5,751,306	5,744,227	3,486,132
Investment in associate	6	69,456,666	69,422,871	69,304,770
Investment in properties	7	2,330,000	2,330,000	2,350,000
Investments in unconsolidated subsidiaries	8	565,258	565,543	552,282
Property and equipment		25,685,501	23,274,637	24,667,048
Goodwill		-	-	195,964
		<u>103,788,731</u>	<u>101,337,278</u>	<u>100,556,196</u>
<b>Total assets</b>		<u>222,818,079</u>	<u>215,260,929</u>	<u>199,110,074</u>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Bank overdrafts and promissory notes	9	23,670,985	22,739,439	20,240,619
Due to related parties		13,922,681	13,739,997	11,029,801
Trade and other payables	10	49,066,302	43,614,006	49,497,781
Term loans –Current portion	11	52,881,122	51,841,851	49,051,471
		<u>139,541,090</u>	<u>131,935,293</u>	<u>129,819,672</u>
<b>Non current liabilities</b>				
Term loans- Non-current portion	11	46,029,899	46,365,408	38,968,924
Post employment benefits		3,567,163	3,364,036	2,985,648
		<u>49,597,062</u>	<u>49,729,444</u>	<u>41,954,572</u>
<b>Equity</b>				
<b>Attributable to the Company's shareholders</b>				
Capital	12	17,296,224	17,296,224	16,472,594
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	502,614
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		102,887	121,627	83,005
Fair valuation reserve		309,626	309,626	(1,743,063)
Retained earnings		244,009	241,752	596,991
Treasury shares	14	(1,421,239)	(1,381,525)	(1,381,525)
		<u>27,528,505</u>	<u>27,584,702</u>	<u>25,151,683</u>
<b>Non-controlling interests</b>		<u>6,151,422</u>	<u>6,011,490</u>	<u>2,184,147</u>
<b>Total equity</b>		<u>33,679,927</u>	<u>33,596,192</u>	<u>27,335,830</u>
<b>Total liabilities and equity</b>		<u>222,818,079</u>	<u>215,260,929</u>	<u>199,110,074</u>

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

  
 Tareq Mohammed Al Maoushargi  
 Chairman

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

Interim Condensed Consolidated Statement of Income for the period ended 31 March 2017  
(Unaudited)

		Exhibit - B	
		Kuwaiti Dinars	
		3 months ended 31 March	
	Note	2017 (Unaudited)	2016 (Unaudited)
Sales		9,260,386	8,004,269
Contract revenue		14,650,708	11,784,995
		<u>23,911,094</u>	<u>19,789,264</u>
Cost of sales		(7,015,882)	(5,692,037)
Contract costs		(12,182,071)	(9,698,959)
		<u>(19,197,953)</u>	<u>(15,390,996)</u>
<b>Gross profit</b>		4,713,141	4,398,268
General and administrative expenses		(2,379,837)	(2,336,185)
Depreciation		(133,974)	(147,353)
Provision for doubtful debts		(35,731)	(38,144)
Provision for slow moving inventory		(40,874)	(57,824)
Profit from operations		<u>2,122,725</u>	<u>1,818,762</u>
Unrealized loss from investments at fair value through profit or loss		(62)	(112)
Share of results from associates		33,795	-
Share of (loss) / profit of unconsolidated subsidiaries		(285)	508
Other income		178,316	447,987
Interest expenses		<u>(2,168,876)</u>	<u>(2,074,887)</u>
<b>Profit before contribution to KFAS, Zakat and NLST</b>		165,613	192,258
KFAS		(4,932)	(5,872)
Zakat		(7,172)	(7,075)
National Labour Support Tax (NLST)		<u>(7,541)</u>	<u>(8,787)</u>
<b>Profit for the period</b>		<u>145,968</u>	<u>170,524</u>
Attributable to:			
Equity holders of the Company		2,257	3,312
Non-controlling interests		<u>143,711</u>	<u>167,212</u>
		145,968	170,524
Basic and diluted earnings per share for the period (fils)	15	<u>0.01</u>	<u>0.02</u>

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

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

Interim Condensed Consolidated Statement of Comprehensive Income for the period ended 31 March  
2017 (Unaudited)

	Exhibit - C	
	Kuwaiti Dinars	
	3 months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<u>145,968</u>	<u>170,524</u>
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to income statement		
Change in foreign currency translation	<u>(22,519)</u>	<u>(14,080)</u>
<b>Total comprehensive income for the period</b>	<u>123,449</u>	<u>156,444</u>
Attributable to:		
Equity holders of the Company	<u>(16,483)</u>	<u>(12,651)</u>
Non-controlling interests	<u>139,932</u>	<u>169,095</u>
	<u>123,449</u>	<u>156,444</u>

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

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

Interim Condensed Consolidated Statement of Changes in Equity for the period ended 31 March 2016 (Unaudited)

Exhibit – D

Kuwaiti Dinars

	Equity attributable to the Parent Company's Shareholders										Non controlling interest	Total Equity	
	Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares reserve	Revaluation reserve	Foreign currency translation adjustments	Fair valuation reserve	Retained Earnings	Treasury shares			Total
<b>Balance at 31 December 2016- Audited</b>	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)	-	-	-	-	-	-	(18,740)	-	2,257	-	(16,483)	139,932	123,449
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(39,714)	(39,714)	-	(39,714)
<b>Balance at 31 March 2017-Unaudited</b>	<u>17,296,224</u>	<u>7,877,292</u>	<u>554,248</u>	<u>324,297</u>	<u>17,230</u>	<u>2,223,931</u>	<u>102,887</u>	<u>309,626</u>	<u>244,009</u>	<u>(1,421,239)</u>	<u>27,528,505</u>	<u>6,151,422</u>	<u>33,679,927</u>
<b>Balance at 31 December 2015- Audited</b>	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
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	-	(15,963)	-	3,312	-	(12,651)	169,095	156,444
<b>Balance at 31 March 2016-Unaudited</b>	<u>16,472,594</u>	<u>7,877,292</u>	<u>502,614</u>	<u>502,614</u>	<u>17,230</u>	<u>2,223,931</u>	<u>83,005</u>	<u>(1,743,063)</u>	<u>596,991</u>	<u>(1,381,525)</u>	<u>25,151,683</u>	<u>2,184,147</u>	<u>27,335,830</u>

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



Arabi Group Holdings - K.S.C.P  
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Interim Condensed Consolidated Statement of Cash Flows for the period ended 31 March 2017  
(Unaudited)

	Exhibit - E	
	Kuwaiti Dinars	
	3 months ended 31 March	
	2017	2016
	(Unaudited)	(Unaudited)
<b>Cash flows – operating activities</b>		
Profit for the period	145,968	170,524
<i>Adjustments for:</i>		
Depreciation	501,794	485,218
Gain on sale of property and equipment	(4,815)	(4,494)
Unrealized loss / (gain) from investments at fair value through profit or loss	62	112
Share of results from associate	(33,795)	-
Shares of loss / (profit) from unconsolidated subsidiaries	285	(508)
Interest expense	2,168,876	2,074,887
<b>Operating profit before changes in working capital</b>	2,778,375	2,725,739
Decrease / (increase) in trade and other receivables	1,769,952	(4,079,462)
Increase in due from related parties	(575,891)	(64,102)
Increase in due from customers for contract work	(1,097,927)	(56,845)
(Increase) / decrease in inventories	(5,783,748)	416,267
Increase / (decrease) in trade and other payables	5,452,296	(4,726,852)
Increase in due to related parties	182,684	31,149
Increase in post-employment benefits	203,127	63,267
Net cash from / (used in) operating activities	2,928,868	(5,690,839)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment – net	(2,917,289)	(717,019)
Proceeds from sale of property and equipment	9,446	5,053
Acquisition of Investments available for sale	(7,079)	-
Net cash used in investing activities	(2,914,922)	(711,966)
<b>Cash flow from financing activities</b>		
Increase / (decrease) in bank overdrafts and promissory notes	931,546	(4,450,728)
Increase in term loans	703,762	13,360,486
Purchase of Treasury Shares	(39,714)	-
Interest paid	(2,168,876)	(2,074,887)
Net cash (used in) / from financing activities	(573,282)	6,834,871
Net (decrease) / increase in cash and cash equivalents	(559,336)	432,066
Effect of exchange rate changes on cash and cash equivalents	(22,519)	(14,080)
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	3,425,863	4,345,471

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 15 May 2017.

The annual financial statements of the Group for the year ended 31 December 2016 were approved by the Board of Directors on 30 March 2017 and are subject to approval of Shareholders at the forthcoming Annual General Meeting.

## 2. Basis of presentation

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

#### *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 11,869,157 (31 December 2016: KD 12,176,436; 31 March 2016: KD 11,867,316) 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; 31 March 2016: KD 1,561,508) 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 13,565,700 (31 December 2016: KD 13,872,979; 31 March 2016: KD 13,428,824); KD 10,965,866 (31 December 2016: KD 11,279,018; 31 March 2016: KD 10,897,946) is included in trade receivables and KD 2,599,834 (31 December 2016: KD 2,593,961; 31 March 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		
		31 Mar 2017	31 Dec 2016	31 Mar 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%
<b>Held through Arabi Company W.L.L.</b>				
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%
<b>Associate</b>				
Kuwait Health Assurance Company	Kuwait	26%	26%	26%
Agricultural Environmental Projects Company W.L.L.	Kuwait	40%	40%	40%

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

**Notes to the Interim Condensed Consolidated Financial Information – 31 March 2017 (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.

The Parent Company has consolidated the interim condensed financial information (unaudited) of all its subsidiaries which are been reviewed by independent auditors for the three months ended 31 March 2017 while preparing this interim condensed consolidated financial information (unaudited). Total assets of the subsidiaries amounted to KD 165,687,776 as of 31 March 2017 (31 March 2016: KD 133,297,733) and the subsidiaries net profit was KD 833,050 for the three months ended 31 March 2017 (31 March 2016: KD 913,959).

**5. Investments**

	Kuwaiti Dinars		
	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
<b>Investments at fair value through profit &amp; loss:</b>			
Quoted securities held for trading	5,712	5,774	5,546
	<u>5,712</u>	<u>5,774</u>	<u>5,546</u>
<b>Investments available for sale:</b>			
Un quoted securities	5,751,306	5,744,227	3,486,132
	<u>5,751,306</u>	<u>5,744,227</u>	<u>3,486,132</u>

Unquoted investments of KD 289,414 (31 December 2016: KD 282,335; 31 March 2016: 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:

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

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

**Notes to the Interim Condensed Consolidated Financial Information – 31 March 2017 (Unaudited)**

Following are the movement on investment in associates:

	Kuwaiti Dinars		
	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (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:

	Kuwaiti Dinars			
	Assets	Liabilities	Revenue	Net profit
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:

	Kuwaiti Dinars			
	Assets	Liabilities	Revenue	Net (loss)/ profit
31 March 2017 (Unaudited)	2,117,809	2,528,709	22,538	(26,785)
31 December 2016 (Audited)	2,159,791	2,542,656	305,049	20,542
31 March 2016 (Unaudited)	2,343,549	2,814,156	42,682	(112,199)

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

Notes to the Interim Condensed Consolidated Financial Information – 31 March 2017 (Unaudited)

7. Investment in properties

	Kuwaiti Dinars		
	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Opening balance	2,330,000	2,350,000	2,350,000
Income on fair value of investment properties	-	(20,000)	-
Closing balance	2,330,000	2,330,000	2,350,000

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		
		31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Daleel International Co. W.L.L.	100	-	-	-
Call to Connect India Private Limited	60	21,912	23,752	10,178
Workers Equity Holding – B.S.C. (Closed)	60	443,346	441,791	442,104
Mobivision Holding Company – B.S.C. (Closed)	60	-	-	-
Arabi Aviation Company	100	100,000	100,000	100,000
KEY BS JLT- WLL	100	-	-	-
		565,258	565,543	552,282

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 three months ended 31 March 2017 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 2016: 2% to 4%; 31 March 2016: 2% to 4% per annum) over the Central Bank of Kuwait discount rate. A portion of these facilities amounting to KD 3,088,133 (31 December 2016: KD 2,980,050; 31 March 2016: KD 3,278,744) carries an effective interest rate of 2% to 7.5% (31 December 2016: 2% to 7.5%; 31 March 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; 31 March 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

	Kuwaiti Dinars		
	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
<b>Current</b>			
Short term loans	40,316,317	38,347,019	37,584,663
Current portion of long term loans	12,564,805	13,494,832	11,466,808
	<u>52,881,122</u>	<u>51,841,851</u>	<u>49,051,471</u>
<b>Non current</b>			
Noncurrent portion of long term loans	46,029,899	46,365,408	38,968,924
	<u>98,911,021</u>	<u>98,207,259</u>	<u>88,020,395</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%; 31 March 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%; 31 March 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 31 March 2016: 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 2016: 172,962,242 and 31 March 2016: 164,725,945 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

	Kuwaiti Dinars		
	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Number of shares (share)	7,308,033	6,836,655	6,511,100
Percentage of issued shares (%)	4.23%	3.95%	3.95%
Market value (KD)	730,803	444,383	410,199
Cost (KD)	1,421,239	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	
	3 months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to equity holders of the Company	2,257	3,312
	Shares	Shares
Weighted average number of shares outstanding during the period	165,961,345	158,214,545
<b>Earnings per share – Basic and diluted (fils)</b>	<b>0.01</b>	<b>0.02</b>

16. Related party transactions

During the period ended 31 March 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;

	Kuwaiti Dinars	
	3 months ended 31 March	
	2017 (Unaudited)	2016 (Unaudited)
Key management compensation	62,250	46,500
General and administrative expenses	-	15,750
Interest expenses	88,471	89,454



### 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	
Three months ended 31 March 2017 (Unaudited)					
Segment revenue	8,133,602	14,900,719	879,780	(3,007)	23,911,094
Segment results	280,154	535,951	16,945	(687,082)	145,968
Three months ended 31 March 2016 (Unaudited)					
Segment revenue	7,292,458	972,500	11,526,924	(2,618)	19,789,264
Segment results	245,726	28,703	639,530	(743,435)	170,524

### 18. Contingent liabilities

The group was contingently liable in respect of the following

	Kuwaiti Dinars		
	31 March 2017 (Unaudited)	31 December 2016 (Audited)	31 March 2016 (Unaudited)
Documentary letters of credit	1,810,916	2,108,095	1,692,425
Letters of guarantees	63,376,597	76,154,395	48,886,986
Letters of acceptance	239,925	67,892	266,463
	<u>65,427,438</u>	<u>78,330,382</u>	<u>50,845,874</u>

**19. General Assembly of Shareholders**

The Annual General Assembly of Shareholders is not held for the year ended 31 December 2016 until the date of approving these interim condensed consolidated financial information and consequently, consolidated financial statements for the year ended 31 December 2016 are not approved yet. The interim condensed consolidated financial information for the three months period ended 31 March 2017 do not include any adjustments that could have been required in case the General Assembly of shareholders do not approve the consolidated financial statements for the year ended 31 December 2016.

**20. Comparative figures**

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