EQUIPMENT HOLDING COMPANY
K.S.C.P. AND ITS SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 SEPTEMBER 2016

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

BAKER TILLY KUWAIT

Audit, tax and consulting
P.O.Box 1486 Safat 13015
Kuwait

T: +965 1 88 77 99
F: +965 2294 2651

info@bakertillykuwait.com
www.bakertillykuwait.com

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF EQUIPMENT HOLDING COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Equipment Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2016, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). 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 IAS 34.

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 Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association that have occurred during the nine months period ended 30 September 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

MOHAMMED HAMED AL SULTAN
LICENSE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL

15 November 2016
Kuwait

Equipment Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2016

	Notes	*Three months ended 30 September*		*Nine months ended 30 September*	
		2016	*2015*	***2016***	*2015*
		KD	*KD*	***KD***	*KD*
Revenue from sales and services	3	**5,624,752**	2,460,017	**12,734,039**	8,903,483
Cost of sales and services		**(8,083,977)**	(2,566,181)	**(17,305,675)**	(8,665,272)
GROSS (LOSS) PROFIT		**(2,459,225)**	(106,164)	**(4,571,636)**	238,211
Rental income		**1,487**	39,272	**64,156**	87,709
Investment property expenses		**(48,909)**	(13,843)	**(122,574)**	(48,557)
Gain on sale of property and equipment	4	**1,246,334**	20,564	**1,309,122**	20,564
Gain on sale of investment properties	4	**-**	-	**1,465,821**	-
Realised gain on sale of financial assets available for sale		**22,909**	1,947	**46,351**	39,122
Dividend income		**11,717**	-	**41,668**	34,963
Provision for doubtful debts	7	**-**	(9,305)	**(167,772)**	(438,337)
Provision no longer required for directors' remuneration		**-**	-	**-**	65,000
Other income		**48,211**	81,959	**213,962**	291,301
Foreign exchange gain		**9,932**	11,586	**28,880**	92,922
Depreciation		**(12,462)**	(9,717)	**(36,882)**	(34,325)
General and administrative expenses		**(117,985)**	(170,193)	**(262,831)**	(335,893)
Selling and distribution expenses		**(45,558)**	(1,988)	**(59,344)**	(36,557)
Staff costs		**(253,690)**	(204,543)	**(640,398)**	(700,119)
Finance costs		**(86,076)**	(70,307)	**(240,744)**	(191,109)
LOSS FOR THE PERIOD BEFORE BOARD OF DIRECTORS' REMUNERATION		**(1,683,315)**	(430,732)	**(2,932,221)**	(915,105)
Board of Directors' remuneration		**-**	-	**-**	(9,989)
LOSS FOR THE PERIOD		**(1,683,315)**	(430,732)	**(2,932,221)**	(925,094)
BASIC AND DILUTED LOSS PER SHARE	5	**(12.34) fils**	(3.16) fils	**(21.50) fils**	(6.78) fils

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Equipment Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2016

	Three months ended 30 September		*Nine months ended 30 September*	
	2016	*2015*	***2016***	*2015*
	KD	*KD*	***KD***	*KD*
LOSS FOR THE PERIOD	**(1,683,315)**	(430,732)	**(2,932,221)**	(925,094)
OTHER COMPREHENSIVE (LOSS) INCOME:				
Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:				
- Net unrealised (loss) gain on fair valuation of financial assets available for sale	**(102,315)**	71,745	**(78,036)**	134,952
- Transferred to interim condensed consolidated statement of income on sale of financial assets available for sale	**(22,909)**	(1,947)	**(46,351)**	(39,122)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	**(125,224)**	69,798	**(124,387)**	95,830
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(1,808,539)**	(360,934)	**(3,056,608)**	(829,264)

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Equipment Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2016

	Notes	*30 September 2016* KD	*(Audited) 31 December 2015* KD	*30 September 2015* KD
ASSETS				
Non-current assets				
Property and equipment		**12,192,464**	20,309,059	13,699,563
Investment properties		**1,013,500**	9,591,679	9,358,000
Financial assets available for sale		**361,495**	741,374	1,302,284
Accounts receivable and others	7	**494,372**	302,958	260,259
		14,061,831	30,945,070	24,620,106
Current assets				
Inventories	6	**1,307,030**	2,535,074	2,492,482
Work in progress		**50,335**	174,239	400,337
Amount due from customers for contract works		**2,080,400**	-	-
Accounts receivable and others	7	**6,754,913**	5,790,069	6,405,394
Bank balances and cash	8	**11,769,427**	935,810	620,106
		21,962,105	9,435,192	9,918,319
TOTAL ASSETS		**36,023,936**	40,380,262	34,538,425
EQUITY AND LIABILITIES				
Equity				
Share capital		**13,640,000**	13,640,000	13,640,000
Cumulative changes in fair value reserve		**(26,003)**	98,384	210,023
Revaluation reserve		**1,677,839**	7,379,027	7,608,691
Accumulated losses		**(1,042,757)**	(3,811,724)	(3,371,423)
Total equity		**14,249,079**	17,305,687	18,087,291
Non-current liabilities				
Employees' end of service benefits		**863,037**	911,189	893,922
Term loans	9	**5,500,916**	5,301,168	3,325,033
Murabaha payables	10	**-**	543,858	973,064
		6,363,953	6,756,215	5,192,019
Current liabilities				
Term loans	9	**3,413,641**	2,542,710	1,559,726
Murabaha payables	10	**-**	1,899,135	2,110,228
Amount due to customers for contract works		**6,195**	-	-
Accounts payable and accruals	11	**9,585,828**	10,056,718	5,972,487
Amount due to a related party	13	**2,034,880**	1,314,152	1,103,770
Bank overdrafts	8	**370,360**	505,645	512,904
		15,410,904	16,318,360	11,259,115
Total liabilities		**21,774,857**	23,074,575	16,451,134
TOTAL EQUITY AND LIABILITIES		**36,023,936**	40,380,262	34,538,425

Khaleefa Mohammed Ali Alghanim
Chairman

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2016

	Share capital KD	*Cumulative changes in fair value reserve KD*	*Revaluation reserve KD*	*Accumulated losses KD*	*Total KD*
As at 1 January 2016 (Audited)	13,640,000	98,384	7,379,027	(3,811,724)	17,305,687
Loss for the period	-	-	-	(2,932,221)	(2,932,221)
Other comprehensive loss for the period	-	(124,387)	-	-	(124,387)
Total comprehensive loss for the period	-	(124,387)	-	(2,932,221)	(3,056,608)
Transfer of revaluation reserve to accumulated losses on sale (Note 4)	-	-	(5,701,188)	5,701,188	-
As at 30 September 2016	**13,640,000**	**(26,003)**	**1,677,839**	**(1,042,757)**	**14,249,079**
As at 1 January 2015 (Audited)	13,640,000	114,193	7,608,691	(2,446,329)	18,916,555
Loss for the period	-	-	-	(925,094)	(925,094)
Other comprehensive income for the period	-	95,830	-	-	95,830
Total comprehensive income (loss) for the period	-	95,830	-	(925,094)	(829,264)
As at 30 September 2015	13,640,000	210,023	7,608,691	(3,371,423)	18,087,291

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2016

	Notes	Nine months ended 30 September 2016 KD	2015 KD
OPERATING ACTIVITIES			
Loss for the period before Board of Directors' remuneration		**(2,932,221)**	(915,105)
Non-cash adjustments to reconcile loss for the period to net cash flows:			
Depreciation		**899,904**	467,188
Gain on sale of property and equipment	4	**(1,309,122)**	(20,564)
Gain on sale of investment properties	4	**(1,465,821)**	-
Realised gain on sale of financial assets available for sale		**(46,351)**	(39,122)
Dividend income		**(41,668)**	(34,963)
Provision for doubtful debts	7	**167,772**	438,337
Provision for employees' end of service benefits		**120,313**	115,445
Finance costs		**240,744**	191,109
		(4,366,450)	202,325
Changes in working capital:			
Inventories		**1,228,044**	(248,978)
Work in progress		**123,904**	214,729
Gross amount due from/to customers for contract works		**(2,074,205)**	-
Accounts receivable and others		**(1,324,030)**	(1,503,624)
Accounts payable and accruals		**(470,890)**	141,938
Amount due to a related party		**720,728**	(174,315)
Cash flows used in operating activities		**(6,162,899)**	(1,367,925)
Employees' end of service benefits paid		**(168,465)**	(36,274)
Net cash flows used in operating activities		**(6,331,364)**	(1,404,199)
INVESTING ACTIVITIES			
Additions to property and equipment		**(228,755)**	(2,374,543)
Proceeds from sale of property and equipment		**8,754,568**	36,057
Proceeds from sale of investment properties		**10,044,000**	-
Proceeds from sale of financial assets available for sale		**301,843**	56,800
Dividend income received		**41,668**	34,963
Net cash flows from (used in) investing activities		**18,913,324**	(2,246,723)
FINANCING ACTIVITIES			
Proceeds from term loans		**1,070,679**	4,074,759
Repayment of murabaha payables		**(2,442,993)**	(929,456)
Finance costs paid		**(240,744)**	(162,500)
Net cash flows (used in) from financing activities		**(1,613,058)**	2,982,803
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**10,968,902**	(668,119)
Cash and cash equivalents at beginning of the period		**430,165**	775,321
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	**11,399,067**	107,202

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Equipment Holding Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the nine months period ended 30 September 2016 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 15 November 2016.

The Parent Company is a Kuwaiti Public Shareholding Company registered and incorporated in Kuwait on 25 May 1999 whose shares are listed on the Kuwait Stock Exchange.

The Parent Company's principal activities are as follows:

- Owning shares in Kuwaiti or non-Kuwaiti companies and participating in the establishment of these companies;
- Participating in the management of owned companies;
- Lending money to companies in which it owns interest, as guarantor on behalf of these companies;
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law; and
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies within or outside the State of Kuwait.

The address of the Parent Company's registered office is at P.O. Box 435, Safat 13005, Kuwait.

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 Regulations 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.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting periods starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

Operating results for the nine months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2015.

3 REVENUE FROM SALES AND SERVICES

	Three months ended 30 September		*Nine months ended 30 September*	
	2016	*2015*	***2016***	*2015*
	KD	*KD*	***KD***	*KD*
Sale of machinery and equipment	**2,568,527**	273,619	**3,575,737**	2,318,195
Revenue from construction services	**1,880,423**	855,144	**5,166,717**	2,383,354
Revenue from maintenance and leasing projects	**1,109,214**	1,259,749	**3,834,375**	3,971,441
Revenue from maintenance workshop	**66,588**	71,505	**157,210**	230,493
	5,624,752	2,460,017	**12,734,039**	8,903,483

4 GAIN ON SALE OF PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period ended 30 September 2016, the Group sold a leasehold land and a building to a third party which were classified as property and equipment with a carrying value of KD 7,309,666 and an investment property with a carrying value of KD 8,578,179 for a value amounting to KD 18,600,000 resulting in a realised gain of KD 2,712,155 allocated to gain on sale of property and equipment and gain on sale of investment properties amounted to KD 1,246,334 and KD 1,465,821, respectively, recognised into the interim condensed consolidated statement of income for the period then ended.

Furthermore, the previously recognised revaluation gains included in the revaluation reserve relating to the property and equipment amounting to KD 5,701,188 has been fully transferred to the accumulated losses on sale as per requirements of "IAS 16 - Property, Plant and Equipment" ("IAS 16").

5 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 September, the Parent Company has neither outstanding dilutive potential ordinary shares nor treasury shares.

The information necessary to calculate basic and diluted loss per share for the nine months periods ended 30 September is as follows:

	Three months ended 30 September		*Nine months ended 30 September*	
	2016	*2015*	***2016***	*2015*
Loss for the period (KD)	**(1,683,315)**	(430,732)	**(2,932,221)**	(925,094)
Weighted average number of shares outstanding during the period (Shares)	**136,400,000**	136,400,000	**136,400,000**	136,400,000
Basic and diluted loss per share	**(12.34) fils**	(3.16) fils	**(21.50) fils**	(6.78) fils

6 INVENTORIES

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Equipment for resale	**831,036**	838,917	1,235,869
Spare parts	**906,214**	1,329,516	1,185,132
Raw materials	**83,039**	794,954	555,126
	1,820,289	2,963,387	2,976,127
Provision for obsolete and slow moving inventories	**(556,801)**	(556,801)	(556,801)
	1,263,488	2,406,586	2,419,326
Goods in transit	**43,542**	128,488	73,156
	1,307,030	2,535,074	2,492,482

7 ACCOUNTS RECEIVABLE AND OTHERS

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Trade receivables and receivables from construction contracts, gross	**10,109,857**	8,950,969	8,792,021
Less: provision for trade receivables and receivables from construction contracts	**(5,882,098)**	(5,763,078)	(5,757,467)
Trade receivables and receivables from construction contracts, net	**4,227,759**	3,187,891	3,034,554
Retentions receivable	**883,902**	692,448	683,017
Accrued revenue	**223,991**	1,170,694	634,503
Prepaid expenses and other receivables*	**1,081,081**	225,969	274,203
Advances to suppliers, gross	**951,105**	934,578	2,127,642
Less: provision for advances to suppliers	**(118,553)**	(118,553)	(88,266)
	7,249,285	6,093,027	6,665,653
Non-current	**494,372**	302,958	260,259
Current	**6,754,913**	5,790,069	6,405,394
	7,249,285	6,093,027	6,665,653

* This amount includes an amount of KD 268,800 (31 December 2015: KD Nil and 30 September 2015: KD Nil) receivable from sale of certain unquoted equity financial assets available for sale and a cash margin amounting to KD 366,592 (31 December 2015: KD Nil and 30 September 2015: KD Nil) deposited at a local bank against bank guarantees obtained by the Group from which it is anticipated that no material liabilities will arise

7 ACCOUNTS RECEIVABLE AND OTHERS (continued)

The movement in the provision for doubtful debts during the periods/ year is as follows:

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
At the beginning of the periods/ year	**5,881,631**	5,407,396	5,407,396
Charge for the periods/ year	**167,772**	474,235	438,337
Written off during the periods/ year	**(48,752)**	-	-
At the end of the periods/ year	**6,000,651**	5,881,631	5,845,733

8 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Bank balances and cash	**11,769,427**	935,810	620,106
Bank overdrafts	**(370,360)**	(505,645)	(512,904)
	11,399,067	430,165	107,202

Bank overdrafts are granted to the Group by local banks to finance the working capital and the Group's activities. They are fully repayable on demand and carry interest at a rate of 4.75% (31 December 2015: 4.75% and 30 September 2015: 4.5%) per annum. The overdraft facilities are granted to the Group against a corporate guarantee provided by the Parent Company.

9 TERM LOANS

	Effective interest rate	*Maturity date*	***30 September 2016 KD***	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
*	4.25% above Central Bank of Kuwait discount rate	30 April 2020	**483,750**	561,000	624,000
**	4% above Central Bank of Kuwait discount rate	31 July 2020	**6,862,821**	6,283,384	3,212,843
**	2.5% above Central Bank of Kuwait discount rate	30 June 2017	**524,158**	500,000	500,000
**	2.5% above Central Bank of Kuwait discount rate	18 October 2016	**300,000**	-	-
**	3.25% above Central Bank of Kuwait discount rate	30 October 2016	**20,000**	200,000	200,000
**	4% above Central Bank of Kuwait discount rate	30 September 2018	**229,566**	299,494	347,916
**	4% above Central Bank of Kuwait discount rate	31 December 2016	**494,262**	-	-
			8,914,557	7,843,878	4,884,759

* This loan is denominated in Kuwaiti Dinar with a local bank and is secured against corporate guarantees provided by the Parent Company and one of Group's subsidiaries.

** These loans are denominated in Kuwaiti Dinar with local banks and are secured against corporate guarantees provided by the Parent Company.

During the current period, the management of the Parent Company renewed and rescheduled the repayment of some of its loan instalments according to new facilities agreements with various banks.

At 30 September 2016, machinery and equipment with a carrying value amounting to KD 5,420,550 (31 December 2015: KD 5,857,428 and 30 September 2015: KD Nil) are mortgaged as a security against a term loan obtained from a local financial institution.

10 MURABAHA PAYABLES

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Gross amount	-	2,562,019	3,225,936
Less: deferred profit	-	(119,026)	(142,644)
	-	2,442,993	3,083,292

10 MURABAHA PAYABLES (continued)

During the period ended 30 September 2016, the Group has fully settled the murabaha payables to the local Islamic financial institutions precedent to their original due dates at varying dates ending on 10 June 2017.

11 ACCOUNTS PAYABLE AND ACCRUALS

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Trade payables	**5,638,373**	7,031,881	3,489,520
Notes payable	**556,632**	406,226	208,257
Advances received from customers	**510,575**	887,418	934,137
Accrued expenses	**226,846**	583,988	726,112
Staff payables	**609,633**	525,718	512,548
Provision for expected losses from contracts	**1,773,847**	285,061	-
Other liabilities	**269,922**	336,426	101,913
	9,585,828	10,056,718	5,972,487

12 ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly (AGM) meeting of the Parent Company's shareholders for the year ended 31 December 2015 was held on 18 July 2016 and approved the consolidated financial statements of the Group for the year ended 31 December 2015.

13 RELATED PARTY TRANSACTIONS

These represent transactions with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

During the periods ended 30 September 2016 and 30 September 2015 there were no transactions with related parties included in the interim condensed consolidated statement of income.

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	Major shareholder 30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Amount due to a related party			
Specialities Group Holding Company K.S.C.P. *	**2,034,880**	1,314,152	1,103,770

* Amount due to a related party is interest free and is repayable on demand. Subsequent to the reporting period, the Group has fully settled the amount due to major shareholder amounting to KD 2,034,880.

13 RELATED PARTY TRANSACTIONS (continued)

	Three months ended 30 September		*Nine months ended 30 September*	
	2016 KD	*2015 KD*	***2016 KD***	*2015 KD*
Compensation of key management personnel				
Salaries and other short term benefits	**30,611**	10,298	**92,942**	36,296

14 CONTINGENCIES AND COMMITMENTS

a) Contingencies

At 30 September 2016, the Group has provided bank guarantees issued in the ordinary course of business amounting to KD 11,579,642 (31 December 2015: KD 13,798,075 and 30 September 2015: KD 21,926,405) from which it is anticipated that no material liabilities will arise. The bank guarantees are secured by a corporate guarantee from the Parent Company.

b) Commitments

The Group has entered into operating leases with lease terms between three and five years.

Future minimum rentals payable under non-cancellable operating leases as at 30 September are, as follows:

	30 September 2016 KD	*(Audited) 31 December 2015 KD*	*30 September 2015 KD*
Operating lease commitments			
Future minimum lease payments:			
Within one year	**475,680**	157,312	85,312
After one year but less than five years	**1,902,720**	629,248	341,248
	2,378,400	786,560	426,560

15 SEGMENTAL INFORMATION

The Group has four operating segments: trading in construction equipment, contracting, real estate and investments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same accounting policies as those used in the annual consolidated financial statements of the Group as at 31 December 2015. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

15 SEGMENTAL INFORMATION (continued)

The following table presents information regarding revenues and results of the Group's business segments:

	Trading in construction equipment KD	*Construction, leasing and maintenance KD*	*Real estate KD*	*Investments KD*	*Total KD*
Period ended 30 September 2016					
Segment operating revenue	**3,575,737**	**9,158,302**	**2,839,099**	**88,019**	**15,661,157**
Segment results	**338,725**	**(5,708,455)**	**2,716,525**	**88,019**	**(2,565,186)**
Unallocated income	-	-	-	-	**242,842**
Unallocated expenses	-	-	-	-	**(609,877)**
Loss for the period	**338,725**	**(5,708,455)**	**2,716,525**	**88,019**	**(2,932,221)**
Period ended 30 September 2015					
Segment operating revenue	2,318,195	6,585,288	108,273	74,085	9,085,841
Segment results	173,897	(996,930)	59,716	74,085	(689,232)
Unallocated income	-	-	-	-	449,223
Unallocated expenses	-	-	-	-	(685,085)
Loss for the period	173,897	(996,930)	59,716	74,085	(925,094)
As at 30 September 2016					
Assets	**14,078,835**	**9,858,590**	**1,013,500**	**361,495**	**25,312,420**
Unallocated assets	-	-	-	-	**10,711,516**
Total assets	**14,078,835**	**9,858,590**	**1,013,500**	**361,495**	**36,023,936**
Liabilities	**13,388,398**	**6,012,104**	-	-	**19,400,502**
Unallocated liabilities	-	-	-	-	**2,374,355**
Total liabilities	**13,388,398**	**6,012,104**	-	-	**21,774,857**
As at 31 December 2015					
Assets	20,919,958	9,089,818	9,591,679	741,374	40,342,829
Unallocated assets	-	-	-	-	37,433
Total assets	20,919,958	9,089,818	9,591,679	741,374	40,380,262
Liabilities	13,779,703	5,072,190	-	-	18,851,893
Unallocated liabilities	-	-	-	-	4,222,682
Total liabilities	13,779,703	5,072,190	-	-	23,074,575

15 SEGMENTAL INFORMATION (continued)

	Trading in construction equipment KD	*Construction , leasing and maintenance KD*	*Real estate KD*	*Investments KD*	*Total KD*
As at 30 September 2015					
Assets	15,872,087	7,945,198	9,358,000	1,302,284	34,477,569
Unallocated assets	-	-	-	-	60,856
Total assets	15,872,087	7,945,198	9,358,000	1,302,284	34,538,425
Liabilities	7,851,979	3,947,659	-	-	11,799,638
Unallocated liabilities	-	-	-	-	4,651,496
Total liabilities	7,851,979	3,947,659	-	-	16,451,134

16 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As at 30 September 2016, the fair values of financial instruments that are not carried at fair value are not materially different from their carrying amounts except for financial assets available for sale which are carried at cost less impairment with a carrying value of KD 281,694 as at 30 September 2016 (31 December 2015: KD 281,694 and 30 September 2015: KD 281,694).

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair values of assets carried at fair value by valuation technique:

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

The following table shows an analysis of the Group's assets recorded at fair value by level of the fair value hierarchy:

	Level 1 KD	*Level 2 KD*	*Level 3 KD*	*Total KD*
As at 30 September 2016				
Property and equipment	-	**2,000,000**	**250,000**	**2,250,000**
Investment properties	-	**1,013,500**	-	**1,013,500**
Financial assets available for sale:				
Quoted equity securities	**42,694**	-	-	**42,694**
Managed funds and portfolio	-	**37,107**	-	**37,107**
	42,694	**37,107**	-	**79,801**

16 FAIR VALUE MEASUREMENT (continued)

	Level 1 KD	*Level 2* KD	*Level 3* KD	*Total* KD
As at 31 December 2015				
Property and equipment	-	8,897,662	659,674	9,557,336
Investment properties	-	9,113,499	478,180	9,591,679
Financial assets available for sale:				
Quoted equity securities	51,671	-	-	51,671
Managed funds and portfolio	-	408,009	-	408,009
	51,671	408,009	-	459,680
As at 30 September 2015				
Property and equipment	-	8,989,670	797,330	9,787,000
Investment properties	-	8,683,000	675,000	9,358,000
Financial assets available for sale:				
Quoted equity securities	603,170	-	-	603,170
Managed funds and portfolio	-	417,420	-	417,420
	603,170	417,420	-	1,020,590

The following table shows a reconciliation of the opening and closing amount of level 3 assets which are recorded at fair value.

	At the beginning of the periods/ year KD	*Net purchases, transfers, (sales) and settlements* KD	*Net losses recorded in the (interim condensed) consolidated statement of income* KD	*Net losses recorded in the (interim condensed) consolidated statement of comprehensive income* KD	*At the end of the periods/ year* KD
30 September 2016					
Property and equipment	**659,674**	**(409,674)**	-	-	**250,000**
Investment properties	**478,180**	**(478,180)**	-	-	-
31 December 2015					
Property and equipment	797,330	-	(48,878)	(88,778)	659,674
Investment properties	675,000	-	(196,820)	-	478,180
30 September 2015					
Property and equipment	797,330	-	-	-	797,330
Investment properties	675,000	-	-	-	675,000

During the periods/year ended 30 September 2016, 31 December 2015 and 30 September 2015, there were no transfers between levels of fair value measurements and no transfers into or out of level 3 fair value measurements.

Fair value of other financial instruments is not materially different from their carrying values at the reporting date.