

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

31 MARCH 2017



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 31 March 2017 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three 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 three months period ended 31 March 2017 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

24 May 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months ended 31 March	
		2017 KD	2016 KD
Revenues	3	3,036,190	2,945,611
Cost of revenues	3	(3,073,240)	(2,746,959)
GROSS (LOSS) PROFIT		(37,050)	198,652
Rental income		-	2,577
Other income		195,963	105,346
Depreciation		(12,474)	(187,004)
Staff costs		(227,697)	(321,507)
General and administrative expenses		(226,274)	(158,473)
Selling and distribution expenses		(9,138)	(4,902)
LOSS FROM OPERATIONS		(316,670)	(365,311)
Realised gain on sale of financial assets available for sale		-	132
Dividend income		13,662	29,951
Foreign exchange loss		(27,406)	(13,842)
Finance costs		(24,041)	(55,419)
LOSS FOR THE PERIOD		(354,455)	(404,489)
BASIC AND DILUTED LOSS PER SHARE	4	(2.60) fils	(2.97) fils

The attached notes 1 to 14 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 31 March 2017

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
LOSS FOR THE PERIOD	(354,455)	(404,489)
OTHER COMPREHENSIVE (LOSS) INCOME:		
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income in subsequent periods:</i>		
- Net unrealised revaluation (loss) gain on financial assets available for sale	(3,855)	42,002
- Transferred to interim condensed consolidated statement of income on sale of financial assets available for sale	-	(132)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(3,855)	41,870
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(358,310)	(362,619)

The attached notes 1 to 14 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 31 March 2017

		31 March 2017 KD	(Audited) 31 December 2016 KD	31 March 2016 KD
ASSETS				
Non-current assets				
Property and equipment		11,353,324	11,503,384	19,989,115
Investment properties		1,002,000	1,002,000	9,591,679
Financial assets available for sale		366,122	369,977	782,973
Accounts receivable and others	5	583,376	429,485	588,561
		<u>13,304,822</u>	<u>13,304,846</u>	<u>30,952,328</u>
Current assets				
Inventories	6	1,223,898	1,598,950	3,038,481
Work in progress		47,955	38,078	152,085
Accounts receivable and others	5	7,422,969	8,777,985	5,861,628
Bank balances and cash	7	5,989,706	7,016,102	1,428,619
		<u>14,684,528</u>	<u>17,431,115</u>	<u>10,480,813</u>
TOTAL ASSETS		<u><u>27,989,350</u></u>	<u><u>30,735,961</u></u>	<u><u>41,433,141</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital		13,640,000	13,640,000	13,640,000
Cumulative changes in fair value reserve		(21,376)	(17,521)	140,254
Revaluation reserve		1,115,809	1,115,809	7,379,027
Accumulated losses		(2,216,275)	(1,861,820)	(4,216,213)
Total equity		<u>12,518,158</u>	<u>12,876,468</u>	<u>16,943,068</u>
Non-current liabilities				
Employees' end of service benefits		922,903	915,846	907,023
Term loans	8	4,319,988	4,976,032	6,257,113
Murabaha payables		-	-	325,791
		<u>5,242,891</u>	<u>5,891,878</u>	<u>7,489,927</u>
Current liabilities				
Term loans	8	2,857,986	2,917,998	2,268,310
Murabaha payables		-	-	2,688,764
Accounts payable and accruals	9	7,370,315	9,049,617	10,174,909
Amount due to a related party	11	-	-	1,464,137
Bank overdrafts	7	-	-	404,026
		<u>10,228,301</u>	<u>11,967,615</u>	<u>17,000,146</u>
Total liabilities		<u>15,471,192</u>	<u>17,859,493</u>	<u>24,490,073</u>
TOTAL EQUITY AND LIABILITIES		<u><u>27,989,350</u></u>	<u><u>30,735,961</u></u>	<u><u>41,433,141</u></u>

Khaleefa Mohammed Ali Alghanim
Chairman

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

	<i>Share capital KD</i>	<i>Cumulative changes in fair value reserve KD</i>	<i>Revaluation reserve KD</i>	<i>Accumulated losses KD</i>	<i>Total KD</i>
As at 1 January 2017 (Audited)	13,640,000	(17,521)	1,115,809	(1,861,820)	12,876,468
Loss for the period	-	-	-	(354,455)	(354,455)
Other comprehensive loss for the period	-	(3,855)	-	-	(3,855)
Total comprehensive loss for the period	-	(3,855)	-	(354,455)	(358,310)
As at 31 March 2017	13,640,000	(21,376)	1,115,809	(2,216,275)	12,518,158
As at 1 January 2016 (Audited)	13,640,000	98,384	7,379,027	(3,811,724)	17,305,687
Loss for the period	-	-	-	(404,489)	(404,489)
Other comprehensive income for the period	-	41,870	-	-	41,870
Total comprehensive income (loss) for the period	-	41,870	-	(404,489)	(362,619)
As at 31 March 2016	13,640,000	140,254	7,379,027	(4,216,213)	16,943,068

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 March 2017

	<i>Three months ended</i>	
	<i>31 March</i>	
Note	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
Loss for the period	(354,455)	(404,489)
Adjustments to reconcile loss for the period to net cash flows:		
Depreciation	276,675	332,318
Realised gain on sale of financial assets available for sale	-	(132)
Dividend income	(13,662)	(29,951)
Provision for employees' end of service benefits	44,908	39,911
Finance costs	24,041	55,419
	<u>(22,493)</u>	<u>(6,924)</u>
Working capital changes:		
Inventories	375,052	(503,407)
Work in progress	(9,877)	22,154
Accounts receivable and others	1,201,125	(357,162)
Accounts payable and accruals	(1,679,302)	67,053
Amount due to a related party	-	149,985
	<u>(135,495)</u>	<u>(628,301)</u>
Cash flows used in operations	(135,495)	(628,301)
Employees' end of service benefits paid	(37,851)	(44,077)
	<u>(173,346)</u>	<u>(672,378)</u>
Net cash flows used in operating activities	(173,346)	(672,378)
INVESTING ACTIVITIES		
Additions to property and equipment	(126,615)	(12,374)
Proceeds from sale of financial assets available for sale	-	403
Dividend income received	13,662	29,951
	<u>(112,953)</u>	<u>17,980</u>
Net cash flows (used in) from investing activities	(112,953)	17,980
FINANCING ACTIVITIES		
Proceeds from term loans	-	681,545
Repayment of term loans	(716,056)	-
Repayment of murabaha payables	-	571,562
Finance costs paid	(24,041)	(4,281)
	<u>(740,097)</u>	<u>1,248,826</u>
Net cash flows (used in) from financing activities	(740,097)	1,248,826
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,026,396)	594,428
Cash and cash equivalents at beginning of the period	7,016,102	430,165
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	1,024,593
	<u>5,989,706</u>	<u>1,024,593</u>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

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 three months period ended 31 March 2017 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 24 May 2017.

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.

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 2016, 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 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

Operating results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For more details, please refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2016.

The comparative information in the interim condensed consolidated statement of income and the interim condensed consolidated statement of cash flows for the three months period ended 31 March 2016 has been represented to conform to the current period presentation. This representation does not have any effect on the loss for the three months period ended 31 March 2016 nor accumulated losses as at 31 March 2016. Such representation has been made to improve the quality of information presented.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2017

3 REVENUE AND COST OF REVENUES

Revenues of the Group for the three months periods ended 31 March comprise the following:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Sale of machinery and equipment	582,623	427,659
Revenue from construction services	1,168,249	1,196,633
Revenue from maintenance and leasing projects	1,227,374	1,280,746
Revenue from maintenance workshop	48,392	35,410
Revenue from equipment leasing	9,552	5,163
	3,036,190	2,945,611

Cost of revenues for the three months period ended 31 March comprise the following:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Cost of sales of machinery and equipment	438,491	330,077
Cost of construction services	1,162,004	1,104,750
Cost of maintenance and leasing projects	1,381,952	1,220,823
Cost of maintenance workshop	55,335	49,208
Cost of equipment leasing	35,458	42,101
	3,073,240	2,746,959

4 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 31 March, 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 three months periods ended 31 March is as follows:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
Loss for the period (KD)	(354,455)	(404,489)
Weighted average number of shares outstanding during the period (Shares)	136,400,000	136,400,000
Basic and diluted loss per share	(2.60) fils	(2.97) fils

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2017

5 ACCOUNTS RECEIVABLE AND OTHERS

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
Trade receivables and receivables from construction contracts, gross	8,967,384	9,506,141	10,045,223
Less: provision for trade receivables and receivables from construction contracts	(5,893,561)	(5,893,561)	(5,763,078)
Trade receivables and receivables from construction contracts, net	3,073,823	3,612,580	4,282,145
Retentions receivable, gross	1,037,739	928,696	831,530
Less: provision for retentions receivable	(34,927)	(34,927)	(34,927)
Retentions receivable, net	1,002,812	893,769	796,603
Advances to suppliers, gross	702,469	996,253	932,587
Less: provision for advances to suppliers	(118,553)	(118,553)	(118,553)
Advances to supplier, net	583,916	877,700	814,034
Gross amounts due from customers for contract works	2,236,864	2,904,902	-
Accrued revenue	127,781	152,836	266,674
Prepaid expenses and other receivables	981,149	765,683	290,733
	8,006,345	9,207,470	6,450,189
Non-current	583,376	429,485	588,561
Current	7,422,969	8,777,985	5,861,628
	8,006,345	9,207,470	6,450,189

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

	<i>31 March 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>31 March 2016 KD</i>
At the beginning of the periods/ year	6,047,041	5,916,558	5,916,558
Charge for the periods/ year	-	179,643	-
Written off during the periods/ year	-	(49,160)	-
At the end of the periods/ year	6,047,041	6,047,041	5,916,558

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

6 INVENTORIES

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Equipment for resale	741,889	947,298	816,847
Spare parts	911,638	875,242	1,171,445
Raw materials	-	-	1,577,606
	<u>1,653,527</u>	<u>1,822,540</u>	<u>3,565,898</u>
Less: provision for obsolete and slow moving inventories	<u>(460,244)</u>	<u>(460,244)</u>	<u>(556,801)</u>
	1,193,283	1,362,296	3,009,097
Add: goods in transit	30,615	236,654	29,384
	<u><u>1,223,898</u></u>	<u><u>1,598,950</u></u>	<u><u>3,038,481</u></u>

The movement in the provision for slow moving and obsolete inventories during the periods/ year is as follows:

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
At the beginning of the periods/ year	460,244	556,801	556,801
Reversal during the periods/ year	-	(96,557)	-
At the end of the periods/ year	<u><u>460,244</u></u>	<u><u>460,244</u></u>	<u><u>556,801</u></u>

7 CASH AND CASH EQUIVALENTS

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

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Bank balances and cash	5,989,706	7,016,102	1,428,619
Bank overdrafts	-	-	(404,026)
	<u><u>5,989,706</u></u>	<u><u>7,016,102</u></u>	<u><u>1,024,593</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

8 TERM LOANS

<i>Effective interest rate</i>	<i>Maturity date</i>	<i>(Audited)</i>		
		<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
3.25% above Central Bank of Kuwait discount rate	30 October 2016	-	-	140,000
2.5% above Central Bank of Kuwait discount rate	31 March 2016	-	-	477,330
* 4% above Central Bank of Kuwait discount rate	30 April 2020	416,250	450,000	498,000
** 4% above Central Bank of Kuwait discount rate	31 July 2020	5,967,670	6,415,245	6,651,875
** 4% above Central Bank of Kuwait discount rate	30 September 2018	128,831	186,008	758,218
** 4% above Central Bank of Kuwait discount rate	31 January 2018	490,503	493,338	-
** 2.5% above Central Bank of Kuwait discount rate	30 June 2017	174,720	349,439	-
		7,177,974	7,894,030	8,525,423

* 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.

At 31 March 2017, property and equipment with a carrying value amounting to KD 4,335,561 (31 December 2016: KD 4,455,309 and 31 March 2016: KD 6,285,638) are mortgaged as a security against a term loan obtained from a local bank.

9 ACCOUNTS PAYABLE AND ACCRUALS

	<i>(Audited)</i>		
	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Trade payables	3,628,339	4,611,929	6,051,098
Notes payable	1,376,461	1,141,156	2,079,079
Advances received from customers	293,566	410,699	674,143
Retentions payable	55,272	56,657	-
Gross amounts due to customers for contract works	105,515	55,296	-
Accrued expenses	383,489	297,609	470,128
Provision for expected losses from contracts	638,808	1,542,817	285,061
Other liabilities	888,865	933,454	615,400
	7,370,315	9,049,617	10,174,909

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

10 ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Meeting of the Group for the year ended 31 December 2016 is not yet held. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have not yet been approved by the shareholders of the Group. The interim condensed consolidated financial information for the three months period ended 31 March 2017 does not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2016.

11 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 Board of Directors.

During the periods ended 31 March 2017 and 2016, there were no transactions with related parties included in neither the interim condensed consolidated statement of income nor the consolidated statement of comprehensive income.

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

	31 March 2017 KD	<i>(Audited)</i> 31 December 2016 KD	31 March 2016 KD
<i>Amount due to a related party</i>			
Specialities Group Holding Company K.S.C.P.	-	-	1,464,137
			<i>Three months ended 31 March</i>
			2017 KD
			2016 KD
<i>Compensation of key management personnel</i>			
Salaries and other short term benefits		35,870	30,166

12 CONTINGENCIES AND COMMITMENTS

a) Contingencies

At 31 March 2017, the Group has been provided with bank guarantees issued in the ordinary course of business amounting to KD 11,707,011 (31 December 2016: KD 15,532,498 and 31 March 2016: KD 14,584,464) 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 31 March are, as follows:

	31 March 2017 KD	<i>(Audited)</i> 31 December 2016 KD	31 March 2016 KD
<i>Operating lease commitments</i>			
<i>Future minimum lease payments:</i>			
Within one year	655,680	674,940	355,680
After one year but less than five years	2,622,720	2,699,760	1,422,720
	3,278,400	3,374,700	1,778,400

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2017

13 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 2016. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

	<i>Trading in construction equipment KD</i>	<i>Construction, leasing and maintenance KD</i>	<i>Real estate KD</i>	<i>Investments KD</i>	<i>Total KD</i>
Period ended 31 March 2017					
Segment operating revenue	<u>582,623</u>	<u>2,453,567</u>	<u>-</u>	<u>13,662</u>	<u>3,049,852</u>
Segment results	30,447	(262,423)	-	13,662	(218,314)
Unallocated income	-	-	-	-	184,933
Unallocated expenses	-	-	-	-	(321,074)
Loss for the period					<u><u>(354,455)</u></u>
Period ended 31 March 2016					
Segment operating revenue	<u>425,299</u>	<u>2,517,952</u>	<u>2,577</u>	<u>30,083</u>	<u>2,975,911</u>
Segment results	(323,191)	48,690	2,577	30,083	(241,841)
Unallocated income	-	-	-	-	91,636
Unallocated expenses	-	-	-	-	(254,284)
Loss for the period					<u><u>(404,489)</u></u>

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13 SEGMENTAL INFORMATION (continued)

	<i>Trading in construction equipment KD</i>	<i>Construction, leasing and maintenance KD</i>	<i>Real estate KD</i>	<i>Investments KD</i>	<i>Total KD</i>
As at 31 March 2017					
Assets	13,359,921	9,671,539	1,002,000	366,122	24,399,582
Unallocated assets	-	-	-	-	3,589,768
Total assets					27,989,350
Liabilities	10,373,093	4,755,994	-	-	15,129,087
Unallocated liabilities	-	-	-	-	342,105
Total liabilities					15,471,192
As at 31 December 2016					
Assets	14,192,182	9,531,077	1,002,000	369,977	25,095,236
Unallocated assets	-	-	-	-	5,640,725
Total assets					30,735,961
Liabilities	11,718,683	5,816,011	-	-	17,534,694
Unallocated liabilities	-	-	-	-	324,799
Total liabilities					17,859,493
As at 31 March 2016					
Assets	20,465,436	10,543,293	9,591,679	782,973	41,383,381
Unallocated assets	-	-	-	-	49,760
Total assets					41,433,141
Liabilities	13,503,039	6,144,355	-	-	19,647,394
Unallocated liabilities	-	-	-	-	4,842,679
Total liabilities					24,490,073

14 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 31 March 2017, 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 31 March 2017 (31 December 2016: KD 281,694 and 31 March 2016: KD 281,694).

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14 FAIR VALUE MEASUREMENT (continued)

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:

	<i>Level 1</i> KD	<i>Level 2</i> KD	<i>Level 3</i> KD	<i>Total</i> KD
As at 31 March 2017				
<i>Property and equipment</i>				
Leasehold land	-	1,500,000	-	1,500,000
Building	-	-	185,640	185,640
	-	1,500,000	185,640	1,685,640
<i>Investment properties</i>				
	-	1,002,000	-	1,002,000
<i>Financial assets available for sale:</i>				
Foreign quoted equity security	46,634	-	-	46,634
Managed funds and portfolio	-	37,794	-	37,794
	46,634	37,794	-	84,428
As at 31 December 2016				
<i>Property and equipment</i>				
Leasehold land	-	1,500,000	-	1,500,000
Building	-	-	185,640	185,640
	-	1,500,000	185,640	1,685,640
<i>Investment properties</i>				
	-	1,002,000	-	1,002,000
<i>Financial assets available for sale:</i>				
Foreign quoted equity security	50,357	-	-	50,357
Managed funds and portfolio	-	37,926	-	37,926
	50,357	37,926	-	88,283

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At 31 March 2017

14 FAIR VALUE MEASUREMENT (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>As at 31 March 2016</i>				
<i>Property and equipment</i>				
Leasehold lands	-	8,897,670	-	8,897,670
Buildings	-	-	659,666	659,666
	<u>-</u>	<u>8,897,670</u>	<u>659,666</u>	<u>9,557,336</u>
<i>Investment properties</i>				
	<u>-</u>	<u>9,113,499</u>	<u>478,180</u>	<u>9,591,679</u>
<i>Financial assets available for sale:</i>				
Foreign quoted equity security	53,885	-	-	53,885
Managed funds and portfolio	-	447,394	-	447,394
	<u>53,885</u>	<u>447,394</u>	<u>-</u>	<u>501,279</u>

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
<i>31 March 2017</i>					
<i>Property and equipment</i>	<u>185,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,640</u>
<i>31 December 2016</i>					
<i>Property and equipment</i>	659,666	(409,666)	(25,000)	(39,360)	185,640
<i>Investment properties</i>	478,180	(478,180)	-	-	-
	<u>478,180</u>	<u>(478,180)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>31 March 2016</i>					
<i>Property and equipment</i>	659,666	-	-	-	659,666
<i>Investment properties</i>	478,180	-	-	-	478,180
	<u>478,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,180</u>

During the periods/year ended 31 March 2017, 31 December 2016 and 31 March 2016, 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.