

**Arabi Group Holding Company K.S.C. (Public) and its
Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Financial Information (Unaudited)
and Independent Auditor's Review Report
For the three month period ended 31 March 2022**

**Arabi Group Holding Company K.S.C. (Public) and its Subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Financial Information (Unaudited)
and Independent Auditor's Review Report**

For the three month period ended 31 March 2022

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The Board of Directors

Arabi Group Holding Company K.S.C. (Public) State of Kuwait

Independent Auditor's 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 Holding Company K.S.C. (Public) (the "Parent Company") and its subsidiaries (together referred to as the "Group") as at 31 March 2022 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Parent Company's 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

Except for the matter described in the "Basis of Qualified Conclusion paragraph", we conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated 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.

Basis for Qualified Conclusion

As at 31 March 2022, the financial assets at fair value through other comprehensive income include an amount of KD 125,711,000 (31 December 2021: KD 95,811,000), which represents 26% ownership by Arabi Group Holding Company K.S.C. (Public) in Health Assurance Hospitals Company K.S.C. (Public) ("Dhaman"). The Group's management believes that they had lost its significant influence on Dhaman, that was previously recorded as investment in associate during the financial year ended 31 December 2020. Accordingly, the Group's management decided to transfer this investment to be an investment at fair value through other comprehensive income. As at 31 December 2021, the Group used an external expert to make the valuation of this investment, which resulted in an unrealised gain amounting to KD 5,032,487 that was recognised in the consolidated statement of comprehensive income (31 December 2020: KD 24,354,954, unrealised gain that was recognised in the consolidated statement of income at the date of losing its significant influence). There are lawsuits filed by and against the Group regarding this investment, which is still being deliberated in the court (Note 17). Further, this may affect the Group's ownership percentage in the investment and the accounting treatment of the investment and any other related adjustments on the interim condensed consolidated and the consolidated statement of financial position and interim condensed consolidated and the consolidated statement of income. Accordingly, we were unable to determine whether there are any obligations and adjustments to the investment in Dhaman and any other related adjustments. Consequently, we have qualified our conclusion and opinion for prior periods and years since 31 December 2020 respectively.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the "Basis of Qualified Conclusion" paragraph, 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.

The Board of Directors

Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

Independent Auditor's Report on Review of Interim Condensed Consolidated Financial Information (Continued)

Emphasis of Matters

Without qualifying our conclusion, we draw attention to (Note 1.1) and (Note 7), to the interim condensed consolidated financial information, with respect to the rescheduling of the Group's defaulted borrowing in the amount of KD 58,597,988 as at 31 March 2022 (31 December 2021: KD 43,416,505 and 31 March 2021 : KD 25,556,667). The Group's management stated that they are in the process of rescheduling these amounts with the banks. As a result, the current portion of the borrowings exceeds the non-current portion, which leads to the increase in the current liabilities over the current assets as at 31 March 2022.

Without qualifying our conclusion, we draw attention to (Note 17), to the interim condensed consolidated financial information, with respect to the Group's legal cases and its consequential impact on the interim condensed consolidated financial information for the period ended 31 March 2022.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, except for the matter described in the "Basis of Qualified Conclusion" paragraph above, 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, as amended, or of the Parent Company's Memorandum of Incorporation, have occurred during the three months period ended 31 March 2022, that might have had a material effect on the Parent Company's financial position or its business results.

Furthermore, based on our review, to the best of our knowledge and belief, except for the matter described in the "Basis of Qualified Conclusion" paragraph above, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related Regulations, as amended, have occurred during the three month period ended 31 March 2022 that might have a material effect on the Parent Company's financial position or its business results.

Other matter

The Annual General Assembly Meeting of the Parent Company's Shareholders for the financial year ended 31 December 2021 has not been held until the reporting date, we have been appointed as the auditor by the Parent Company's Board of Directors to review the interim condensed consolidated financial information for the three month period ended 31 March 2022. such appointment is subject to approval of the Parent Company's Shareholders Ordinary General Assembly.



Faisal Saqer Al Saqer
Licence No. 172 – A
BDO Al Nisf & Partners

Kuwait: 18 May 2022

Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 March 2022

		31 March 2022	(Audited) 31 December 2021	31 March 2021
	Notes	KD	KD	KD
ASSETS				
Non-current assets				
Property, plant and equipment		27,562,952	28,142,302	28,631,419
Investment in an associate		1	1	1
Financial assets at fair value through other comprehensive income		131,557,723	101,657,723	97,230,531
Contract retentions		707,371	703,243	2,078,664
		<u>159,828,047</u>	<u>130,503,269</u>	<u>127,940,615</u>
Current assets				
Inventories		47,111,810	45,288,172	50,462,446
Contract assets		6,256,775	6,256,775	2,603,018
Contract receivables	4	65,706,452	65,463,647	70,699,161
Trade receivables and other debit balances		26,807,086	28,698,484	24,228,781
Due from related parties	5	8,037,407	8,876,529	5,303,024
Financial assets at fair value through profit or loss		5,349	4,289	4,034
Cash and cash equivalents		3,718,438	7,282,063	2,958,635
		<u>157,643,317</u>	<u>161,869,959</u>	<u>156,259,099</u>
Total assets		<u>317,471,364</u>	<u>292,373,228</u>	<u>284,199,714</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital		17,296,224	17,296,224	17,296,224
Share premium		7,877,292	7,877,292	7,877,292
Treasury shares	6	(1,480,519)	(1,480,519)	(1,480,519)
Treasury shares reserve		17,230	17,230	17,230
Statutory reserve		554,248	554,248	554,248
Voluntary reserve		324,297	324,297	324,297
Revaluation surplus		9,890,616	9,890,616	8,739,001
Foreign currencies translation adjustments		135,072	117,867	104,119
Fair value reserve from financial assets at fair value through other comprehensive income		5,302,528	5,302,528	875,336
Accumulated losses		(11,371,553)	(5,710,547)	(1,455,745)
Equity attributable to Shareholders of the Parent Company		<u>28,545,435</u>	<u>34,189,236</u>	<u>32,851,483</u>
Non-controlling interests		2,310,689	5,030,362	6,664,737
Total equity		<u>30,856,124</u>	<u>39,219,598</u>	<u>39,516,220</u>
LIABILITIES				
Non-current liabilities				
Provision for end of service indemnity		5,240,667	5,071,913	5,471,210
Borrowings	7	30,243,218	31,017,828	39,929,940
Lease liabilities		315,400	325,189	336,005
		<u>35,799,285</u>	<u>36,414,930</u>	<u>45,737,155</u>
Current liabilities				
Borrowings	7	127,890,320	120,386,421	113,405,013
Lease liabilities		39,156	39,156	39,312
Due to banks	8	6,196,834	7,634,597	7,325,719
Notes payable	9	11,466,347	11,549,471	9,562,733
Finance lease obligations		-	-	162,828
Contract liabilities		-	-	318,396
Trade payables and other payables		83,557,428	56,047,817	49,928,079
Due to related parties	5	21,665,870	21,081,238	18,204,259
		<u>250,815,955</u>	<u>216,738,700</u>	<u>198,946,339</u>
Total liabilities		<u>286,615,240</u>	<u>253,153,630</u>	<u>244,683,494</u>
Total equity and liabilities		<u>317,471,364</u>	<u>292,373,228</u>	<u>284,199,714</u>

The accompanying notes on pages 8 to 27 form an integral part of these interim condensed consolidated financial information.

Tareq Mohammad Al Maousherji
Chairman

**Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

**Interim Condensed Consolidated Statement of Income (Unaudited)
For the three month period ended 31 March 2022**

	Notes	For the three month period ended 31 March	
		2022 KD	2021 KD
Revenue from contracts with customers	10	11,911,631	18,465,159
Cost of revenue		(9,169,904)	(14,938,196)
Gross profit		2,741,727	3,526,963
Other operating income	10	134,942	345,768
General and administrative expenses		(3,005,824)	(2,628,620)
Provision for obsolete and slow-moving inventories		(90,069)	(98,454)
Provision for expected credit losses		(125,787)	(658,378)
Loss on liquidation letter of guarantees	13	(9,420,055)	-
(Loss) / profit from operations		(9,765,066)	487,279
Gain on disposal of property, plant and equipment		85,262	74,466
Unrealised gain from financial assets at fair value through profit or loss		1,060	145
Reversal of provision	17	2,835,026	-
Other income	10	134,973	206,595
Finance costs		(1,671,813)	(2,036,773)
Loss for the period		(8,380,558)	(1,268,288)
Attributable to:			
Shareholders of the Parent Company		(5,661,006)	(1,101,709)
Non-controlling interests		(2,719,552)	(166,579)
		(8,380,558)	(1,268,288)
Basic and diluted loss per share attributable to the Shareholders of the Parent Company (fils)	11	(34.31)	(6.68)

The accompanying notes on pages 8 to 27 form an integral part of these interim condensed consolidated financial information.

Arabi Group Holding K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the three month period ended 31 March 2022

	For the three month period ended	
	31 March	
	<u>2022</u>	<u>2021</u>
	KD	KD
Loss for the period	(8,380,558)	(1,268,288)
Other comprehensive income / (loss)		
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income</i>		
Change in foreign currencies translation adjustments	17,084	(18,296)
Other comprehensive income / (loss)	<u>17,084</u>	<u>(18,296)</u>
Total comprehensive loss for the period	<u>(8,363,474)</u>	<u>(1,286,584)</u>
Attributable to:		
Shareholders of the Parent Company	(5,643,801)	(1,122,215)
Non-controlling interests	<u>(2,719,673)</u>	<u>(164,369)</u>
	<u>(8,363,474)</u>	<u>(1,286,584)</u>

The accompanying notes on pages 8 to 27 form an integral part of these interim condensed consolidated financial information.

Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three month period ended 31 March 2022

	Equity attributable to Shareholders of the Parent Company												
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Revaluation surplus KD	Foreign currencies translation adjustments KD	Fair value reserve from financial assets at fair value through other comprehensive income KD	Accumulated losses KD	Total KD	Non-controlling interests KD	Total equity KD
Balance as at 1 January 2021	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	8,739,001	124,625	875,336	(354,036)	33,973,698	6,829,106	40,802,804
Loss for the period	-	-	-	-	-	-	-	-	-	(1,101,709)	(1,101,709)	(166,579)	(1,268,288)
Other comprehensive (loss) / income for the period	-	-	-	-	-	-	-	(20,506)	-	-	(20,506)	2,210	(18,296)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(20,506)	-	(1,101,709)	(1,122,215)	(164,369)	(1,286,584)
Balance as at 31 March 2021	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	8,739,001	104,119	875,336	(1,455,745)	32,851,483	6,664,737	39,516,220
Balance as at 1 January 2022	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	9,890,616	117,867	5,302,528	(5,710,547)	34,189,236	5,030,362	39,219,598
Loss for the period	-	-	-	-	-	-	-	-	-	(5,661,006)	(5,661,006)	(2,719,552)	(8,380,558)
Other comprehensive income / (loss) for the period	-	-	-	-	-	-	-	17,205	-	-	17,205	(121)	17,084
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	-	17,205	-	(5,661,006)	(5,643,801)	(2,719,673)	(8,363,474)
Balance as at 31 March 2022	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	9,890,616	135,072	5,302,528	(11,371,553)	28,545,435	2,310,689	30,856,124

The accompanying notes on pages 8 to 27 form an integral part of these interim condensed consolidated financial information.

Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)
For the three month period ended 31 March 2022

	For the three month period ended 31 March	
	2022	2021
	KD	KD
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(8,380,558)	(1,268,288)
<i>Adjustments:</i>		
Depreciation	504,825	555,421
Gain on disposal of property, plant and equipment	(85,262)	(74,466)
Unrealised gain from financial assets at fair value through profit or loss	(1,060)	(145)
Provision for obsolete and slow moving inventories	90,069	98,454
Provision for expected credit losses	125,787	658,378
Loss on liquidation letter of guarantees	9,420,055	-
Reversal of provision	(2,835,026)	-
Provision for end of service indemnity	243,485	195,512
Finance costs	1,671,813	2,036,773
	<u>754,128</u>	<u>2,201,639</u>
<i>Changes in operating assets and liabilities:</i>		
Contract retentions	(4,128)	160,765
Inventories	(1,913,707)	452,504
Contract receivables	(242,805)	1,013,183
Trade receivables and other debit balances	1,765,611	8,034,172
Due from related parties	(8,580,933)	(1,542,880)
Contract liabilities	-	576,003
Trade payables and other payables	444,637	(3,157,069)
Due to related parties	584,632	(237,350)
<i>Cash (used in) / generated from operations</i>	<u>(7,192,565)</u>	<u>7,500,967</u>
Provision for end of service indemnity paid	(74,731)	(104,789)
Net cash flows (used in) / from operating activities	<u>(7,267,296)</u>	<u>7,396,178</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Paid to purchase of property, plant and equipment	(692,622)	(754,713)
Proceeds from disposal of property, plant and equipment	852,107	139,209
Net cash flows from / (used in) investing activities	<u>159,485</u>	<u>(615,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	7,838,930	1,225,465
Settlement of borrowings	(1,109,641)	(2,102,923)
Payment of lease liabilities	(9,789)	(9,828)
Net movement of due to banks	(1,437,763)	(648,908)
Net movement of notes payable	(83,124)	(2,384,174)
Net movement of finance lease obligations	-	112,223
Finance costs paid	(1,671,813)	(2,036,773)
Net cash flows from / (used in) financing activities	<u>3,526,800</u>	<u>(5,844,918)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(3,581,011)</u>	<u>935,756</u>
Foreign currencies translation adjustments	17,386	(18,296)
Cash and cash equivalents at the beginning of the period	7,282,063	2,041,175
Cash and cash equivalents at the end of the period	<u>3,718,438</u>	<u>2,958,635</u>

The accompanying notes on pages 8 to 27 form an integral part of these interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2022

1. INCORPORATION AND ACTIVITIES

Arabi Group Holding Company K.S.C.P. (the “Parent Company”) and its subsidiaries (referred to as “the Group”) is a Kuwaiti Shareholding Company incorporated on 5 December 1982 and is listed on Boursa Kuwait.

The principal activities of the Parent Company are:

- 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 registered office of the Parent Company is P.O. Box 4090, Safat, 13041, Kuwait.

This interim condensed consolidated financial information for the three month period ended 31 March 2022 were authorised for issue by the Board of Directors of the Parent Company on 18 May 2022.

1.1 Fundamental accounting concept

As at 31 March 2022, the Group’s current liabilities exceeded its current assets by KD 93,172,638 (31 December 2021: KD 54,868,741 and 31 March 2021: KD 42,687,240).

An amount of KD 58,597,988 is defaulted borrowings as at 31 March 2022 (31 December 2021: KD 43,416,505 and 31 March 2021: KD 25,556,667). The Group is in the process of rescheduling these amounts with the banks. As a result, the current portion of the borrowings exceeds the non-current portion, which leads to the increase in the current liabilities over the current assets.

The Group’s management believes that the financial institutions will continue to provide and renew credit facilities.

The Group’s management has taken steps to ensure adequate liquidity to settle its obligations on its due dates.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the financial year ended 31 December 2021 (“last annual consolidated financial statements”).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2022

2. BASIS OF PREPARATION (CONTINUED)

The interim condensed consolidated financial information does not include all of the information required for a complete annual consolidated financial statements and disclosures prepared in accordance with International Financial Reporting Standards (“IFRSs”).

In the opinion of the management, all adjustments (including recurring accruals) have been included in the interim condensed consolidated financial information. The operating results for the three month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. For further information, refer to the annual audited consolidated financial statements of the Group for the financial year ended 31 December 2021.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the Parent Company.

2.1 Changes in significant accounting policies

New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the financial year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all its obligations at the beginning of the reporting period.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2022

2. BASIS OF PREPARATION (CONTINUED)

2.1 Changes in significant accounting policies (Continued)

New standards, interpretations and amendments adopted (Continued)

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract (Continued)

Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Group in determining the costs of fulfilling the contracts. The Group has therefore recognised an onerous contract provision, which remained unchanged as of 30 June 2022 as the Group had not yet fulfilled its obligations under the contract.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Changes in significant accounting policies (Continued)

New standards, interpretations and amendments adopted (Continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent company's consolidated financial statements, based on the parent company's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent company acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial information of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed consolidated financial information of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed consolidated financial information of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

**Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the three month period ended 31 March 2022

3. BASIS OF CONSOLIDATION

This interim condensed consolidated financial information for the three month period ended 31 March 2022 includes the Parent Company and its subsidiaries.

The interim condensed financial information of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any realised gains, losses, expenses, income and balances arising from intra-Group transactions, are eliminated in preparing the interim condensed consolidated financial information.

The interim condensed consolidated financial information includes the interim condensed financial information of Arabi Group Holding Company K.S.C. (Public) and its subsidiaries include the following:

Name of the subsidiary	Ownership (%)			Country of incorporation	Principal activities
	(Audited)				
	31 March 2022	31 December 2021	31 March 2021		
	%	%	%		
Arabi Company W.L.L. (*) Arabi Engineering and Mechanical Works Company W.L.L.	100	100	100	State of Kuwait	General trading and contracting
Arabi Enertech Company K.S.C. (Closed) (**)	73.08	73.08	73.08	State of Kuwait	General trading and contracting
Daleel International Company W.L.L. (***)	100	100	100	State of Kuwait	IT services
Key BS JLT W.L.L. (***)	100	100	100	United Arab Emirates	IT services

The Group's share in subsidiaries has been recorded based on interim condensed financial information prepared by the management as at 31 March 2022 except for Arabi Company W.L.L. and Arabi Enertech Company K.S.C. (Closed) which are based on reviewed interim condensed consolidated financial information.

(*) The interim condensed consolidated financial information includes the interim condensed financial information of Arabi Company W.L.L. and its subsidiaries as follows:

Name of the subsidiary	Ownership (%)			Country of incorporation	Principal activities
	(Audited)				
	31 March 2022	31 December 2021	31 March 2021		
	%	%	%		
Gulf Services and Industrial Supplies Company	100	100	100	Oman	General Trading and Contracting
Arabi Company W.L.L. Altec Corporation Limited	100	100	100	Qatar	General Trading and Contracting
Warba Mechanical Equipments L.L.C.	90.03	90.03	90.03	India United Arab Emirates	General Trading and Contracting
	70	70	70		

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3. BASIS OF CONSOLIDATION (CONTINUED)

(**) The interim condensed consolidated financial information includes the interim condensed financial information of Arabi Enertech Company K.S.C. (Closed) and its subsidiary as follows:

Name of the subsidiary	Ownership (%)			Country of incorporation	Principal activities
	(Audited)				
	31 March 2022	31 December 2021	31 March 2021		
	%	%	%		
Medical Engineering Company W.L.L.	98	98	98	State of Kuwait	General trading and contracting

(***) The Group has not consolidated these subsidiaries since they are not material to the interim condensed consolidated financial information for the three month period ended 31 March 2022.

4. CONTRACT RECEIVABLES

	31 March 2022	(Audited) 31 December 2021	31 March 2021
	KD	KD	KD
Contract receivables	78,485,811	78,243,006	79,943,520
Provision for excepted credit losses (*)	(12,779,359)	(12,779,359)	(9,244,359)
	<u>65,706,452</u>	<u>65,463,647</u>	<u>70,699,161</u>

(*) The movement of the provision for excepted credit losses is as follows:

	31 March 2022	(Audited) 31 December 2021	31 March 2021
	KD	KD	KD
Balance as at 1 January	12,779,359	8,744,359	8,744,359
Charge during the period / year / period	-	4,035,000	500,000
	<u>12,779,359</u>	<u>12,779,359</u>	<u>9,244,359</u>

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5. RELATED PARTIES' DISCLOSURES

Related parties represent major shareholders, directors and senior management personnel of the Group, and Companies controlled, or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Group's management. The significant related parties' balances and transactions are as follows:

Balances included in the interim condensed consolidated statement of financial position / consolidated statement of financial position:

	31 March 2022	(Audited) 31 December 2021	31 March 2021
	KD	KD	KD
Due from related parties	8,037,407	8,876,529	5,303,024
Due to related parties	21,665,870	21,081,238	18,204,259

The amounts due from related parties are non-interest bearing and are receivable on demand.

The amounts due to related parties are non-interest bearing and are payable on demand, except due to Shareholders amounted to KD 7,111,994 (31 December 2021: KD 7,007,816 and 31 March 2021: KD 6,648,494) (included in due to related parties), which carries an interest rate of 6.5% (31 December 2021: 6.5% and 31 March 2021: 6.5%) per annum.

Transactions included in the interim condensed consolidated statement of income:

	Shareholders KD	31 March 2022 KD	31 March 2021 KD
Finance costs	104,178	104,178	104,178

	31 March 2022 KD	31 March 2021 KD
<i>Key management compensation:</i>		
Salaries and short-term benefits	57,000	57,000
End of service benefits	5,610	5,610

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6. TREASURY SHARES

	31 March 2022	(Audited) 31 December 2021	31 March 2021
Number of treasury shares (shares)	7,966,743	7,966,743	7,966,743
Percentage of ownership (%)	4.61%	4.61%	4.61%
Market value (KD)	2,652,925	2,318,322	1,577,415
Cost (KD)	1,480,519	1,480,519	1,480,519

Based on the decision of the Capital Markets Authority, the Parent Company's management has locked off an amount equal to treasury shares balance from share premium as the date of interim condensed consolidated financial information. Such amount will not be available for distribution over the period in which the Parent Company holds treasury shares. Treasury shares are not pledged.

7. BORROWINGS

Borrowings represent terms loans and Murabaha payables granted by local and foreign banks at an interest rate ranging from 2.5% to 4% (31 December 2021: from 2.5% to 4% and 31 March 2021: from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Collaterals

Borrowings are secured against the following collaterals:

- Shareholders personal guarantees,
- Assignment of some contract revenues,
- 43,982,797 of capital shares which is related to major Shareholders,
- Guarantees from related parties and subsidiaries companies,
- Mortgage of the Group's properties,
- Financial assets at fair value through other comprehensive income,
- Short term deposit.

Presented below maturity profile of borrowings as follows:

	31 March 2022	(Audited) 31 December 2021	31 March 2021
Non-current portion	30,243,218	31,017,828	39,929,940
Current portion	127,890,320	120,386,421	113,405,013
	<u>158,133,538</u>	<u>151,404,249</u>	<u>153,334,953</u>

As at 31 March 2022, the Group has default term loans with principal amounts of KD 42,568,989 (31 December 2021: KD 42,214,347 and 31 March 2021: KD 23,877,779) and its interest payable of KD 2,116,860 (31 December 2021: KD 1,202,158 and 31 March 2021: KD 1,675,325), in addition, the Group has default Murabaha payables of KD 13,912,139 (31 December 2021: KD Nil and 31 March 2021: KD 3,563) which represent the principal and its profit payable. The Group is in the process of rescheduling these installments.

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8. DUE TO BANKS

Due to banks represent facilities granted by local banks carrying interest rates ranging from 2.5% to 4% (31 December 2021: from 2.5% to 4% and 31 March 2021: from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Due to banks are secured against the collaterals described in (Note 7).

9. NOTES PAYABLE

This item represents notes payable resulted from commercial transactions, carrying an interest rate ranging from 1.75% to 4% (31 December 2021: from 1.75% to 4% and 31 March 2021: from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Notes payable are secured against the collaterals described in (Note 7).

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10. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by type of revenue, type of customer, primary geographical market, and timing of revenue recognition.

Segments	For the three month period ended 31 March 2022				
	Oil and gas services KD	Retail KD	Subtotal KD	Other KD	Total KD
<i>Type of Revenues</i>					
<i>Services and maintenance</i>	3,548,925	-	3,548,925	-	3,548,925
<i>Constructions</i>	132,119	-	132,119	-	132,119
<i>Manpower supply</i>	47,926	-	47,926	-	47,926
<i>Sale of goods</i>	-	8,182,661	8,182,661	-	8,182,661
<i>Other operating income</i>	-	-	-	134,942	134,942
<i>Other income</i>	-	-	-	134,973	134,973
	<u>3,728,970</u>	<u>8,182,661</u>	<u>11,911,631</u>	<u>269,915</u>	<u>12,181,546</u>
<i>Type of customer</i>					
<i>Government</i>	3,728,970	-	3,728,970	-	3,728,970
<i>Non-government</i>	-	8,182,661	8,182,661	269,915	8,452,576
	<u>3,728,970</u>	<u>8,182,661</u>	<u>11,911,631</u>	<u>269,915</u>	<u>12,181,546</u>
<i>Primary geographical markets</i>					
<i>State of Kuwait</i>	3,728,970	6,465,383	10,194,353	269,915	10,464,268
<i>Gulf Cooperation Council Countries</i>	-	1,717,278	1,717,278	-	1,717,278
	<u>3,728,970</u>	<u>8,182,661</u>	<u>11,911,631</u>	<u>269,915</u>	<u>12,181,546</u>
<i>Timing of revenues recognition</i>					
<i>Services/goods transferred at a point in time</i>	-	8,182,661	8,182,661	269,915	8,452,576
<i>Services transferred over time</i>	3,728,970	-	3,728,970	-	3,728,970
	<u>3,728,970</u>	<u>8,182,661</u>	<u>11,911,631</u>	<u>269,915</u>	<u>12,181,546</u>

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10. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

Segments	For the three month period ended 31 March 2021				
	Oil and gas services KD	Retail KD	Subtotal KD	Other KD	Total KD
<i>Type of Revenues</i>					
Services and maintenance	7,513,045	-	7,513,045	-	7,513,045
Constructions	1,196,958	-	1,196,958	-	1,196,958
Manpower supply	554,711	-	554,711	-	554,711
Sale of goods	-	9,200,445	9,200,445	-	9,200,445
Other operating income	-	-	-	345,768	345,768
Other income	-	-	-	206,595	206,595
	<u>9,264,714</u>	<u>9,200,445</u>	<u>18,465,159</u>	<u>552,363</u>	<u>19,017,522</u>
<i>Type of customer</i>					
Government	9,264,714	-	9,264,714	-	9,264,714
Non-government	-	9,200,445	9,200,445	552,363	9,752,808
	<u>9,264,714</u>	<u>9,200,445</u>	<u>18,465,159</u>	<u>552,363</u>	<u>19,017,522</u>
<i>Primary geographical markets</i>					
State of Kuwait	9,264,714	6,704,856	15,969,570	552,363	16,521,933
GCC Countries	-	2,495,589	2,495,589	-	2,495,589
	<u>9,264,714</u>	<u>9,200,445</u>	<u>18,465,159</u>	<u>552,363</u>	<u>19,017,522</u>
<i>Timing of revenues recognition</i>					
Services/goods transferred at a point in time	-	9,200,445	9,200,445	552,363	9,752,808
Services transferred over time	9,264,714	-	9,264,714	-	9,264,714
	<u>9,264,714</u>	<u>9,200,445</u>	<u>18,465,159</u>	<u>552,363</u>	<u>19,017,522</u>

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11. BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is computed by dividing loss for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the period less weighted average number of treasury shares.

	For the three month period ended 31 March	
	2022	2021
Loss for the period attributable to the Shareholders of the Parent Company (KD)	(5,661,006)	(1,101,709)
Weighted average number of outstanding shares during the period excluding treasury shares (share)	164,995,499	164,995,499
Basic and diluted loss per share attributable to the Shareholders of the Parent company (fils)	(34.31)	(6.68)

The Parent Company had no outstanding dilutive shares.

12. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly Meeting of the Shareholders of the Parent Company for the financial year ended 31 December 2021 has not been held until the reporting date. Consequently, the consolidated financial statements for the financial year ended 31 December 2021 were not approved yet. The consolidated financial statements for the financial year ended 31 December 2021 do not include any adjustments, which might have been required, had the General Assembly approved the consolidated financial statements for the financial year ended 31 December 2021.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the interim condensed consolidated statement of financial position date, the Group's capital commitments and contingent liabilities are as follow:

	31 March 2022	(Audited) 31 December 2021	31 March 2021
	KD	KD	KD
Capital commitments			
Financial assets at FVOCI *	-	29,900,000	29,900,000
	-	29,900,000	29,900,000
Contingent liabilities			
Letters of credit	1,818,537	2,110,726	2,443,650
Letters of guarantees**	68,448,040	78,335,043	83,256,127
Letters of acceptance	1,331,111	725,571	624,578
	71,597,688	81,171,340	86,324,355

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13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

- * There is a legal case relating to the unpaid capital of the investment (Note 17), on 20 January 2022, Arabi Group Holding Company K.S.C. (Public) “the Parent Company” settled the remaining balance of its share in the issued and paid up capital of Health Assurance Hospitals Company K.S.C. (Public) amount of KD 29,900,000. Accordingly, the ownership of Arabi Group Holding Company K.S.C. (Public) in the issued and paid-up share capital of Health Assurance Hospitals Company K.S.C. (Public) is 26%. The settlement was made through a finance from an external party against a pledge of 195 million share held by Arabi Group Holding Company K.S.C. (Public) in Health Assurance Hospitals Company K.S.C. (Public). This represents a guarantee until the full repayment of the debt that has been obtained to settle the remaining balance of its share in share capital. .
- ** During the current period, letters of guarantee of KD 9,420,055 issued by the Group related to terminated contracts for rendering of services to projects were liquidated resulting in losses recognised in the interim condensed consolidated statement of income. The Group is in the process of taking legal actions to recover the amounts of letters of guarantees that have been liquidated.

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14. SEGMENT INFORMATION

For management purposes the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- Oil and gas
- Retail
- Investments
- Construction

There are no inter-segmental transactions. The following segments are reported in a manner that is more consistent with internal reporting provided to the chief operating decision maker:

	Oil and gas		Retail		Investments		Construction		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	KD		KD		KD		KD		KD	
Segment revenue	4,400,831	10,486,268	7,865,977	8,480,120	1,060	125,600	-	-	12,267,868	19,091,988
Segment (loss) / profit	(10,095,349)	(599,603)	120,548	203,829	1,608,176	(840,501)	(13,933)	(32,013)	(8,380,558)	(1,268,288)
Segment assets	140,296,467	139,062,628	41,335,523	41,961,422	123,115,358	90,814,609	12,724,016	12,361,055	317,471,364	284,199,714
Segment liabilities	134,917,257	130,691,885	32,180,132	25,207,702	118,715,221	87,341,716	802,630	1,442,191	286,615,240	244,683,494

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15. FINANCIAL RISK MANAGEMENT

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

Liquidity risk

The Group has prepared additional cash flow forecasts in connection to COVID-19 outbreak, to identify associated liquidity requirements and ensure these risks are closely managed in light of the current economic environment and the sensitivities remain reasonable.

Credit risk

The Group continues to have a robust collection and credit process. Further enhancement and development to strength the processes and credit controls have resulted in an efficient receivables management. Hence, despite the uncertain economic conditions, the Group continued to have a robust collection through the period. Also, the measures taken above have contributed to minimise the impact on the default risk of receivables during the period. However, the Group continuously monitors the impact on receivables using expected credit losses ("ECL") model, supplemented with Post Model Adjustments ("PMA").

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorised within the fair value hierarchy, described as below, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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 fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

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16. FAIR VALUE MEASUREMENT (CONTINUED)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The financial assets measured at fair value in the interim condensed consolidated statement of financial position / consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	<u>Level 1</u> KD	<u>Level 3</u> KD	<u>Total</u> KD
31 March 2022			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	131,557,723	131,557,723
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	5,349	-	5,349
	<u>5,349</u>	<u>131,557,723</u>	<u>131,563,072</u>
	<u>Level 1</u> KD	<u>Level 3</u> KD	<u>Total</u> KD
31 December 2021 (Audited)			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	101,657,723	101,657,723
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,289	-	4,289
	<u>4,289</u>	<u>101,657,723</u>	<u>101,662,012</u>
	<u>Level 1</u> KD	<u>Level 3</u> KD	<u>Total</u> KD
31 March 2021			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	97,230,531	97,230,531
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,034	-	4,034
	<u>4,034</u>	<u>97,230,531</u>	<u>97,234,565</u>

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16. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of Level 3 fair value measurements:

	Financial assets at fair value through other comprehensive income
	KD
31 March 2022	
As at 1 January 2022	101,657,723
Additions	29,900,000
31 March 2022	131,557,723
31 December 2021 (Audited)	
As at 1 January 2021	97,230,531
Changes in fair value	4,427,192
31 December 2021 (Audited)	101,657,723
31 March 2021	
As at 1 January 2021	97,230,531
31 March 2021	97,230,531

During the period / year, there were no transfers between level 1, level 2 and level 3.

17. LEGAL CLAIMS

There are certain claims filed by / against the Group, which directly relate to the investment in Health Assurance Hospitals Company K.S.C. (Public) (“Dhaman”) and one of the Group’s creditors, as mentioned below. Results of such claim cannot be assessed unless a final judgment is rendered by the Court. Based on the legal advisor’s opinion, the Group’s management is of the opinion that there will be no need to make additional provisions.

Health Assurance Hospitals Company K.P.S.C. (Public) (“Dhaman”):

There is a legal claim filed against Dhaman and other parties, which is deliberated before the Capital Markets Authority’s Court - commercial, civil, regarding the subscription to share capital of the Company and for appealing against the incorporation procedures of Dhaman. A judgment dismissing the claim has been rendered on 13 September 2021, and an appeal was filed against it, and it was adjourned until the hearing dated 16 June 2022 for judgment. In addition, there is another legal claim against Dhaman, requesting the cancellation and compensation against the dismissal of the members of Arabi Group Holding Company K.S.C. (Public) (the “Parent Company”) from the Board of Directors of Dhaman. On 24 February 2021, the Court decided to dismiss the claim, and an appeal was filed against the judgment, and it was adjourned until the hearing 16 June 2022 for pursual.

There is a legal claim filed against Dhaman requesting the deletion of commercial register of Dhaman Company. A judgment to the effect of lack of jurisdiction and referral to the Capital Markets Authority’s Court – administrative, the hearing was adjourned until 5 June 2022 for pursual.

17. LEGAL CLAIMS (CONTINUED)

Health Assurance Hospitals Company K.S.C. (Public) (“Dhaman”) (Continued)

A claim filed by Arabi Group Holding Company K.S.C. (Public) against Dhaman and other parties for a cancellation of Capital Markets Authority’s decision issued on 18 March 2021 related to the shares of Dhaman, which includes a summary part for stay of execution and a request for the delegation of an expert to investigate allegations of forgery of Shareholders’ register of Dhaman, which states that the Kuwait Investment Authority had subscribed on behalf of the nationals. The claim was dismissed on 26 September 2021 and Arabi Group Holding Company K.S.C. (Public) filed an appeal against the judgment. No hearing was set till date.

Furthermore, there is a claim filed by Arabi Group Holding Company K.S.C. (Public) against Capital Markets Authority and Boursa Kuwait, requesting the delegation of an expert and, on a summary basis, to suspend the decision of CMA Board of Commissioners issued on 15 March 2021 delisting Arabi Group Holding Company’s share from trading and, in merits, requesting cancellation of decision. On 26 September 2021, the claim was dismissed. Arabi Group Holding Company K.S.C. (Public) filed an appeal against the judgment. No hearing was set till date.

In the opinion of the Group’s external legal advisor, these cases and the related judgments are likely to be in favor of the Group.

Mashfa for Medical Services W.L.L. (“Mashfa”) (one of Group’s creditors for finance of Dhaman (previously the “Associate”)):

A legal claim filed by the Parent Company against Mashfa requesting a temporary compensation of KD 5,001 and invalidation of the assignment of right for using assignment of right that had been issued in favor of Mashfa, on the basis of issuance of final judgment in favor of the Parent Company which legally invalidates giving a loan of KD 21,528,000, which is included in trade and other payables in the consolidated financial position. The Court of First Instance has issued a judgment in favor of Mashfa, and the judgment was appealed. On 19 May 2021, the judgment was dismissed by the Court of Appeal and brought back to the Court of First Instance. On 13 December 2021, the claim was dismissed. Arabi Group Holding Company K.S.C. (Public) filed an appeal against the judgment, for which the hearing dated 16 June 2022 was scheduled for pursual. In addition there is ongoing claim filed by the Parent Company against Mashfa for delegating an expert and terminating the memorandum of understanding. On 13 December 2021, a judgement referring it to commercial, civil, and first instance circuit for consideration was issued.

Furthermore, there is an ongoing claim filed by Mashfa against Arabi Group Holding Company K.S.C. (Public) in which it requests for dissolution and liquidation of Arabi Group Holding Company K.S.C. (Public). A judgment canceling the claim has been rendered on 20 April 2022. Also, there is a claim filed by Arabi Group Holding Company K.S.C. (Public) against Mashfa for delegating an expert to determine the damages incurred by Arabi Group Holding Company K.S.C. (Public) as a result of the attachment made by Mashfa on shares and funds of Arabi Group Holding Company K.S.C. (Public) due to a cheque that does not represent a debt owed by Arabi Group Holding Company K.S.C. (Public), in which a judgment holding the proceedings in abeyance pending a final judgment to be rendered in the claim No. 4019/2020 was rendered. This is the claim that has been filed by Mashfa against Arabi Group Holding Company K.S.C. (Public) for obliging it to repay an amount of eight million Kuwaiti Dinars. In the hearing dated 23 June 2021, the judgment was dismissed by the court and brought back to the Court of First Instance. No hearing was set till date.

17. LEGAL CLAIMS (CONTINUED)

Mashfa for Medical Services W.L.L. ("Mashfa") (one of Group's creditors for finance of Dhaman (previously the "Associate")) (Continued):

On 22 December 2021, an agreement contract was signed with Mashfa, under which Mashfa waived the claim No. 4019/2020 and all the claims filed against Arabi Group Holding Company K.S.C. (Public). Accordingly, all legal procedures resulted from these claims will be resolved. Accordingly, the Group's management sees it in the light of the opinion of the legal advisor is to reverse a provision amounted to KD 2,835,026 during the current period ended 31 March 2022, as a result of dismissing the claim No. 49/2020.

In addition, there are legal cases filed by Arabi Eneritech Company K.S.C. (Closed) ("the subsidiary") claiming for a compensation against the financial impact incurred by the subsidiary as a result of terminating certain revenue contracts by main customers.

In the opinion of the subsidiary's external legal advisor, these cases and the related judgments are likely to be in favor of the subsidiary.

18. SIGNIFICANT EVENTS

Spread of the novel coronavirus led to an impact on the economic environment globally and locally, which led to the Group's exposure to various risks since epidemic outbreak.

The Group has performed an assessment of Coronavirus pandemic in accordance with the available guidelines, which has resulted in the following changes:

Going concern concept

The Group has performed an assessment of whether there is a going concern in light of current economic conditions and all available information about risks and future uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity using the estimates of cash. Despite of the ever-growing impact of COVID-19 that leads to cancelling some revenue contracts by the customers, the current expectations indicate that the Group has sufficient resources to continue in its operational existence and its going concern position remains largely unaffected and unchanged since 31 March 2022. As a result, the interim condensed consolidated financial information have been appropriately prepared on a going concern basis.

Valuation estimates and judgments

The Group has also considered potential impact of the current economic volatility in determination of value of the stated financial and non-financial assets and these are considered by the Group's management as best assessment based on available information or at market prices. However, it remains volatile and the recorded balances remain sensitive to market fluctuations.

Borrowings

As at 31 March 2022, the Group has default term loans with principal amounts of KD 42,568,989 (31 December 2021: KD 42,214,347 and 31 March 2021: KD 23,877,779) and its interest payable of KD 2,116,860 (31 December 2021: KD 1,202,158 and 31 March 2021: KD 1,675,325), in addition, the Group has default Murabaha payables of KD 13,912,139 (31 December 2021: KD Nil and 31 March 2021: KD 3,563) which represent the principal and its profit payable. The Group is in the process of rescheduling these installments.

**Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
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For the three month period ended 31 March 2022

18. SIGNIFICANT EVENTS (CONTINUED)

Subsequent events

Given the uncertainty of the extent and duration of coronavirus outbreak, the implications of the coronavirus on the Group for conditions that may arise after the period end cannot be reasonably quantified at the date of issuance of the interim condensed consolidated financial information.