

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

**Interim condensed consolidated financial information  
(Unaudited) and review report  
For the three month period ended 31 March 2019**

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

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For the three month period ended 31 March 2019

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

**Independent auditor's review report to the Board of Directors**

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

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arabi Group Holding K.S.C. (Public) (the "Parent Company") and its subsidiaries (together referred to as the "Group") as at 31 March 2019, 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*

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.

*Conclusion*

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

*Other Matter*

The interim condensed consolidated financial information for the three month period ended 31 March 2018 were reviewed by another auditor who expressed qualified conclusion on 17 May 2018 on those interim condensed consolidated financial information, due to the fact that the Group was still in process of evaluating the potential effect of the provision for expected credit losses ("ECL"), regarding the requirements of the adoption of IFRS9.






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

**Independent auditor's review report to the Board of Directors (Continued)**

**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 accounts of the Parent Company. We further report that nothing has come to our attention indicating any violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three month period ended 31 March 2019, that might have had a material effect on business of the Group or its consolidated financial position.



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**Qais M. Al Nisf**  
**License No. 38 "A"**  
**BDO Al Nisf & Partners**

**Kuwait: 15 May 2019**

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

**Interim condensed consolidated statement of financial position (Unaudited)**  
As at 31 March 2019

	Notes	31 March 2019 KD	31 December 2018 (Audited) KD	31 March 2018 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		25,293,570	25,808,465	30,741,494
Financial assets at fair value through other comprehensive income		5,739,031	5,739,031	5,740,748
Investment in associates		68,503,609	68,711,612	69,191,574
		<u>99,536,210</u>	<u>100,259,108</u>	<u>105,673,816</u>
<b>Current assets</b>				
Inventories	4	52,121,763	50,290,947	49,185,082
Contract assets		2,606,371	2,606,371	2,307,119
Contract receivables	5	60,327,181	58,029,406	60,697,667
Trade receivables and other debit balances		27,659,884	28,951,035	26,516,392
Due from related parties	6	2,470,203	2,836,946	2,525,306
Financial assets at fair value through profit or loss		4,416	4,234	5,251
Cash and cash equivalents		1,014,902	848,952	3,794,261
		<u>146,204,720</u>	<u>143,567,891</u>	<u>145,031,078</u>
<b>Total assets</b>		<u>245,740,930</u>	<u>243,826,999</u>	<u>250,704,894</u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital		17,296,224	17,296,224	17,296,224
Share premium		7,877,292	7,877,292	7,877,292
Treasury shares	7	(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 reserve		2,223,931	2,223,931	2,223,931
Foreign currency translation reserve		117,636	115,055	63,443
Fair value reserve from financial assets at fair value through other comprehensive income		313,105	313,105	314,822
(Accumulated losses) / retained earnings		(1,993,611)	(1,672,279)	7,634
<b>Equity attributable to shareholders of the Parent Company</b>		<u>25,249,833</u>	<u>25,568,584</u>	<u>27,198,602</u>
Non-controlling interests		7,660,383	7,444,650	6,861,985
<b>Total equity</b>		<u>32,910,216</u>	<u>33,013,234</u>	<u>34,060,587</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Term loans		73,973,073	77,281,956	64,836,381
Provision for end of service indemnity	8	5,299,371	5,076,895	4,338,123
		<u>79,272,444</u>	<u>82,358,851</u>	<u>69,174,504</u>
<b>Current liabilities</b>				
Term loans		30,656,213	29,110,786	43,387,246
Due to banks	8	22,360,684	20,715,624	18,171,645
Notes payable	9	24,820,014	23,593,284	14,588,081
Finance lease obligations	10	329,923	754,738	7,953,315
Contract liabilities		1,789,715	1,348,673	2,158,335
Trade payables and other payables		38,511,471	38,441,014	47,390,825
Due to related parties		15,090,250	14,490,795	13,820,356
<b>Total current liabilities</b>	6	<u>133,558,270</u>	<u>128,454,914</u>	<u>147,469,803</u>
<b>Total liabilities</b>		<u>212,830,714</u>	<u>210,813,765</u>	<u>216,644,307</u>
<b>Total liabilities and equity</b>		<u>245,740,930</u>	<u>243,826,999</u>	<u>250,704,894</u>

The accompanying notes on pages 8 to 18 form an integral part of these interim condensed consolidated financial information.

Tareq Mohammad Al Maoushargi  
Chairman





**Arabi Group Holding 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 2019

	Notes	Three month ended	
		31 March	
		2019	2018
		KD	KD
Revenues		23,607,432	24,967,113
Cost of revenues		(17,943,113)	(20,165,332)
<b>Gross profit</b>		<b>5,664,319</b>	<b>4,801,781</b>
Other operating income		234,627	871,662
General and administrative expenses		(3,107,602)	(2,987,523)
Provision for obsolete and slow moving inventories	4	(55,643)	(41,652)
Provision for expected credit losses	5	(100,926)	(137,675)
<b>Profit from operations</b>		<b>2,634,775</b>	<b>2,506,593</b>
(Loss) / gain on disposal of property, plant and equipment		(2,534)	2,595
Unrealised gain / (loss ) of financial assets at fair value through profit or loss		182	(212)
Share of results of investment in associates		(208,003)	(84,542)
Other income		80,937	251,260
Finance costs		(2,610,386)	(2,444,559)
<b>(Loss) / profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labor Support Tax (NLST)</b>		<b>(105,029)</b>	<b>231,135</b>
Contribution to KFAS		-	(7,030)
National Labor Support Tax		-	(8,705)
<b>(Loss) / profit for the period</b>		<b>(105,029)</b>	<b>215,400</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		(321,332)	10,436
Non-controlling interests		216,303	204,964
<b>Basic and diluted (losses) / earnings per share attributable to the shareholders of the Parent Company (fils)</b>	11	<b>(1.95)</b>	<b>0.06</b>

The accompanying notes on pages 8 to 18 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 2019

	<b>Three month ended</b>	
	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	KD	KD
(Loss) / profit for the period	(105,029)	215,400
<b>Other comprehensive income / (loss):</b>		
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>		
Change in foreign currency translation	2,011	(13,491)
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income	-	4,002
<b>Total other comprehensive income / (loss) for the period</b>	<u>2,011</u>	<u>(9,489)</u>
<b>Total comprehensive (loss) / income for the period</b>	<u>(103,018)</u>	<u>205,911</u>
<b>Attributable to:</b>		
Shareholders of the Parent Company	(318,751)	(3,222)
Non-controlling interests	215,733	209,133
	<u>(103,018)</u>	<u>205,911</u>

The accompanying notes on pages 8 to 18 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 changes in equity (Unaudited)

For the three month period ended 31 March 2019

	Equity attributable to shareholders of the Parent Company														
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Revaluation reserve KD	Foreign currency translation reserve KD	Cumulative change in fair value KD	Fair value reserve from financial assets at fair value through other comprehensive income KD	Retained Earnings (accumulated losses) / KD	Total KD	Non-controlling interests KD	Total equity KD
Balance at 31 December 2017	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	81,103	310,820	(2,802)	27,201,824	6,652,852	33,854,676		
Impact on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	-	(310,820)	-	-	-	-	-	-
Balance at 1 January 2018	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	81,103	-	310,820	(2,802)	27,201,824	6,652,852	33,854,676	
Profit for the period	-	-	-	-	-	-	-	-	-	-	10,436	204,964	215,400		
Total other comprehensive (loss) / income for the period	-	-	-	-	-	-	-	(17,660)	4,002	-	(13,658)	4,169	(9,489)		
Total comprehensive (loss) / income for the period	-	-	-	-	-	-	-	(17,660)	4,002	-	(13,658)	4,169	(9,489)		
Balance at 31 March 2018	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	63,443	-	314,822	7,634	27,198,602	6,861,985	34,060,587	
Balance at 1 January 2019	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	115,055	-	313,105	(1,672,279)	25,568,584	7,444,650	33,013,234	
(Loss) / profit for the period	-	-	-	-	-	-	-	-	-	-	(321,332)	216,303	(105,029)		
Total other comprehensive income / (loss) for the period	-	-	-	-	-	-	-	2,581	-	-	-	2,581	(570)	2,011	
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	-	2,581	-	-	-	2,581	(570)	2,011	
Balance at 31 March 2019	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	117,636	-	313,105	(1,993,611)	25,249,833	7,660,383	32,910,216	

The accompanying notes on pages 8 to 18 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 cash flows (Unaudited)**  
For the three month period ended 31 March 2019

	Notes	2019 KD	2018 KD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit for the period			
<i>Adjustments:</i>		(105,029)	215,400
Depreciation		701,534	647,082
Provision for slow moving inventories	4	55,643	41,652
Provision for expected credit losses	5	100,926	137,675
Unrealised (gain) / loss of financial assets at fair value through profit or loss		(182)	212
Loss / (gain) on disposal of property, plant and equipment		2,534	(2,595)
Share of results of investment in associates		208,003	84,542
Finance costs		2,610,386	2,444,559
Provision for end of service indemnity		256,014	202,992
		<u>3,829,829</u>	<u>3,771,519</u>
<i>Changes in operating assets and liabilities:</i>			
Inventories		(1,886,459)	(9,053,466)
Contract assets		-	(554,870)
Contract receivables		(2,297,775)	2,510,805
Trade receivables and other debit balances		1,190,225	(110,697)
Due from related parties		366,743	691,486
Contract liabilities		441,042	1,155,590
Trade payables and other payables		70,457	2,199,129
Due to related parties		599,455	(273,087)
Cash generated from operations		<u>2,313,517</u>	<u>336,409</u>
Employees' end of service benefits paid		(33,538)	(69,307)
<b>Net cash flows from operating activities</b>		<u>2,279,979</u>	<u>267,102</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(189,173)	(163,934)
Proceed from disposal of property, plant and equipment		-	2,937
<b>Net cash flows used in investing activities</b>		<u>(189,173)</u>	<u>(160,997)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from term loans		4,499,935	6,820,661
Settlements of term loans		(6,263,391)	(5,931,108)
Net movement of due to banks		1,645,060	1,152,220
Net movement of notes payable		1,226,730	933,946
Net movement of finance lease obligations		(424,815)	(323,659)
Finance costs paid		(2,610,386)	(2,444,559)
<b>Net cash flows (used in) / from financing activities</b>		<u>(1,926,867)</u>	<u>207,501</u>
<b>Net increase in cash and cash equivalents</b>			
Foreign currency translation adjustments		163,939	313,606
Cash and cash equivalents at the beginning of the period		2,011	(13,491)
<b>Cash and cash equivalents at the end of the period</b>		<u>848,952</u>	<u>3,494,146</u>
		<u>1,014,902</u>	<u>3,794,261</u>
<b>Non-cash transaction</b>			
Purchase of property, plant and equipment through finance lease obligations		-	138,986

The accompanying notes on pages 8 to 18 form an integral part of these interim condensed consolidated financial information.



**Arabi Group Holding 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 2019

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**1. INCORPORATION AND ACTIVITIES**

Arabi Group Holding 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 the Bursa - Kuwait.

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

This interim condensed consolidated financial information for the three month period ended 31 March 2019 were authorised for issue by the Board of Directors of the Parent Company on 15 May 2019.

**2. BASIS OF PREPARATION**

These 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 financial statements as at and for the year ended 31 December 2018 ("last annual consolidated financial statements").

The interim condensed consolidated financial information does not include all of the information required for a complete set of IFRSs financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's interim condensed consolidated financial position and performance since the last annual financial statements.

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 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2018.

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. BASIS OF PREPARATION (CONTINUED)**

*Use of judgements and estimates*

In preparing this interim condensed consolidated financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Parent Company's executive management.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Parent Company's audit committee.

Further information about the assumptions made in measuring fair values is included in (Note 15).

*Changes in significant accounting policies*

Except as described below, the accounting policies applied in this interim condensed consolidated financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has adopted IFRS 16: Leases from 1 January 2019 as well as number of other new amendments are effective from 1 January 2019 but they do not have a material effect on the Group's interim condensed consolidated financial information.



**2. BASIS OF PREPARATION (CONTINUED)**

*Changes in significant accounting policies (continued)*

*IFRS 16: Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15: Operating Leases-Incentives and SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of application.

Under this method, the application of the standard recognised at the date of application would have no material effect on the interim condensed consolidated financial information. As all the lease contracts of the Group are exempt from the application, as the Group has decided to use the lease exemption policy, which has a duration of 12 months or less at the commencement date of the contract and do not contain a purchase option ("short-term leases") and lease contracts for which the underlying asset is of low value ("low-value assets").

**3. BASIS OF CONSOLIDATION**

This interim condensed consolidated financial information for the three month period ended 31 March 2019 includes the Group 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 these interim condensed consolidated financial information.

**Arabi Group Holding 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 2019

**3. BASIS OF CONSOLIDATION (CONTINUED)**

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

Name of the subsidiary	Voting rights and equity interest %			Country of incorporation	Principal activities
	(Audited)				
	31 March 2019	31 December 2018	31 March 2018		
%	%	%			
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)	100	100	100	State of Kuwait	General trading and contracting
Daleel International Company W.L.L. (**)	73.08	73.08	73.08	State of Kuwait	General trading and contracting
Key BS JLT W.L.L. (**)	100	100	100	State of Kuwait	IT services
	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 2019 except for Arabi Enertech Company K.S.C. (Closed) and Arabi Company W.L.L. which are based on reviewed interim condensed financial information.

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

Name of the subsidiary	Voting rights and equity interest %			Country of incorporation	Principal activities
	(Audited)				
	31 March 2019	31 December 2018	31 March 2018		
%	%	%			
Gulf Services and Industrial Supplies Company Arabi Company W.L.L.	100	100	100	Oman	General Trading and Contracting
Altec Corporation Limited	100	100	100	Qatar	General Trading and Contracting
Warba Mechanical Equipments L.L.C.	90.03	90.03	90.03	India	General Trading and Contracting
	70	70	70	United Arab Emirates	General Trading and Contracting

(\*\*) The Group has not consolidated these subsidiaries since they are not material to the interim condensed consolidated financial information. The Group's share of (loss) / profit from these subsidiaries for the three month ended 31 March 2019 has been recognised based on their management accounts.



**Arabi Group Holding 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 2019

**4. INVENTORIES**

	<b>31 March 2019</b>	<b>31 December 2018 (Audited)</b>	<b>31 March 2018</b>
	KD	KD	KD
Finished goods and materials	49,035,308	48,345,771	41,972,132
Provision for obsolete and slow moving items (*)	(2,532,062)	(2,476,419)	(2,286,587)
	<u>46,503,246</u>	<u>45,869,352</u>	<u>39,685,545</u>
Goods in transit	5,618,517	4,421,595	9,499,537
	<u>52,121,763</u>	<u>50,290,947</u>	<u>49,185,082</u>

(\*) The movement in the provision for obsolete and slow moving items is as follows:

	<b>31 March 2019</b>	<b>31 December 2018 (Audited)</b>	<b>31 March 2018</b>
	KD	KD	KD
Balance at 1 January	2,476,419	2,244,935	2,244,935
Provision charged during period / year	55,643	365,590	41,652
Recovery during the period / year	-	(134,106)	-
	<u>2,532,062</u>	<u>2,476,419</u>	<u>2,286,587</u>

**5. CONTRACT RECEIVABLES**

	<b>31 March 2019</b>	<b>31 December 2018 (Audited)</b>	<b>31 March 2018</b>
	KD	KD	KD
Contract receivables	69,003,756	66,605,055	66,310,917
Provision for excepted credit losses (*)	(8,676,575)	(8,575,649)	(5,613,250)
	<u>60,327,181</u>	<u>58,029,406</u>	<u>60,697,667</u>

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

	<b>31 March 2019</b>	<b>31 December 2018 (Audited)</b>	<b>31 March 2018</b>
	KD	KD	KD
Balance at 1 January	8,575,649	5,475,575	5,475,575
Effect of adoption IFRS 9	-	2,478,456	-
Charged during the period / year	100,926	621,618	137,675
	<u>8,676,575</u>	<u>8,575,649</u>	<u>5,613,250</u>



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**6. 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:

	<b>31 March 2019</b>	<b>31 December 2018 (Audited)</b>	<b>31 March 2018</b>
	KD	KD	KD
<i>Interim condensed consolidated statement of financial position:</i>			
Due from related parties	2,470,203	2,836,946	2,525,306
Finance lease obligations	82,880	82,880	700,000
Due to related parties	15,090,250	14,490,795	13,820,356

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 amounting to KD 6,653,273 (31 December 2018: KD 6,676,109 and 31 March 2018: KD 6,731,923) (included in due to related parties) which carries an interest rate of 6.5% (31 December 2018: 6.5% and 31 March 2018: 6.5%) per annum.

*Compensation of key management personnel of the Parent Company:*

The remuneration of key management personnel of the Parent Company during the period was as follow:

	<b>31 March 2019</b>	<b>31 March 2018</b>
	KD	KD
<i>Interim condensed consolidated statement of income:</i>		
Salaries and short term benefits	72,229	67,750
End of service benefits	5,610	5,262
Finance costs	88,471	88,471

**7. TREASURY SHARES**

	<b>31 March 2019</b>	<b>31 December 2018 (Audited)</b>	<b>31 March 2018</b>
Number of treasury shares	7,966,743	7,966,743	7,966,743
Percentage of ownership	4.61%	4.61%	4.61%
Market value (KD)	573,605	677,173	605,472
Cost (KD)	1,480,519	1,480,519	1,480,519

The Parent Company's management has allotted an amount equal to treasury shares balance from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during treasury shares holding period.

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**8. TERM LOANS**

Term loans represent loans granted by local and foreign banks at an interest rate ranging from 2.5% to 4% (31 December 2018: from 2.5% to 4% and 31 March 2018: from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

*Collaterals*

Terms loans are secured against of the followings;

- Shareholders personal guarantees,
- Assignment of some contract revenues,
- 43,982,797 of capital shares which related to major shareholders,
- Guarantees from related parties and subsidiary Companies,
- Mortgage of Group's properties, and
- Promise to mortgage the entire 26% ownership of investment in associate.

Presented below maturity profile of term loans as follows:

	<b>31 March 2019</b>	<b>31 December 2018 (Audited)</b>	<b>31 March 2018</b>
	KD	KD	KD
Non-current portion	73,973,073	77,281,956	64,836,381
Current portion	30,656,213	29,110,786	43,387,246
	<u>104,629,286</u>	<u>106,392,742</u>	<u>108,223,627</u>

**9. DUE TO BANKS**

Due to banks represent facilities granted by local banks carrying interest rates ranging from 2.5% to 4% (31 December 2018 from 2.5% to 4% and 31 March 2018 from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Due to banks are secured against the collaterals described in (Note 8).

**10. NOTES PAYABLE**

This item represents notes payable resulted from commercial transactions, carrying an interest rates ranging from 2.5% to 4% (31 December 2018 from 2.5% to 4% and 31 March 2018 from 2.5% to 4%) over the Central Bank of Kuwait discount rate.

Notes payable are secured against the collaterals described in (Note 8).



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11. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing (loss) / profit 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.

	Three month ended 31 March	
	2019	2018
(Loss) / profit for the period Attributable to shareholders of the Parent Company (KD)	(321,332)	10,436
Weighted average number of outstanding shares during the period excluding treasury shares (shares)	164,995,499	164,995,499
Basic and diluted (losses) / earnings per share (fils)	(1.95)	0.06

The Parent Company had no outstanding dilutive shares.

12. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly Meeting of the Parent Company shareholders held on 12 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 and approved no distribution of dividends for the year ended 31 December 2018.

13. CAPITAL COMMITMENTS CONTINGENT LIABILITIES

At the interim condensed consolidated statement of financial position date, the Group is contingently liable in respect of capital commitments and contingent liabilities are as follow:

	31 March 2019	31 December 2018 (Audited)	31 March 2018
	KD	KD	KD
<i>Capital commitments</i>			
Purchase of investment in associate	29,990,000	29,990,000	29,990,000
<i>Contingent liabilities</i>			
Letter of credits	1,761,766	1,116,078	1,881,532
Letter of guarantees	76,419,726	74,035,405	73,526,768
Letter of acceptances	598,112	613,023	301,459
	<u>78,779,604</u>	<u>75,764,506</u>	<u>75,709,759</u>



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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		Investment		Construction		Total	
	31 March		31 March		31 March		31 March		31 March	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment revenues	13,324,934	13,479,133	10,572,056	11,419,737	-	-	26,188	942,500	23,923,178	25,841,370
Segment profit / (loss)	799,745	765,064	351,700	323,800	(1,241,249)	(885,505)	(15,225)	12,041	(105,029)	215,400
Assets	119,733,524	125,948,014	42,132,203	43,584,936	70,642,389	68,970,284	13,232,814	12,201,660	245,740,930	250,704,894
Liabilities	108,890,414	118,298,143	27,793,879	22,082,993	75,562,602	75,811,002	583,819	452,169	212,830,714	216,644,307

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15. 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 financial statements are categorised within the fair value hierarchy, described as follows, 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.

As of 31 March 2019 the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

The level within which the financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the interim condensed 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
<b>31 March 2019</b>			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	5,739,031	5,739,031
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,416	-	4,416
	<u>4,416</u>	<u>5,739,031</u>	<u>5,743,447</u>
	<u>Level 1</u> KD	<u>Level 3</u> KD	<u>Total</u> KD
<b>31 December 2018 (Audited)</b>			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	5,739,031	5,739,031
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,234	-	4,234
	<u>4,234</u>	<u>5,739,031</u>	<u>5,743,265</u>



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**16. FAIR VALUE MEASUREMENT (CONTINUED)**

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
	KD	KD	KD
<i>31 March 2018</i>			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	5,740,748	5,740,748
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	5,251	-	5,251
	<u>5,251</u>	<u>5,740,748</u>	<u>5,745,999</u>

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.

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.

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

**17. LEGAL CLAIMS**

There are certain lawsuits raised by / against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's external Legal counsel, there will be no material adverse impact on the Group's interim condensed consolidated financial information. Hence, no provisions related to those lawsuits were recorded in the Group's records as of the date of the accompanying interim condensed consolidated financial information.

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to current period presentation. Such reclassification did not affect previously reported profit or equity and accordingly additional third interim condensed consolidated statement of financial position is not presented.