

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

**Interim condensed consolidated financial information (Unaudited) and review
report**
For the nine month period ended 30 September 2019

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

Interim condensed consolidated financial information (Unaudited) and review report
For the nine month period ended 30 September 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 30 September 2019, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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

We draw your attention to the fact that a qualified conclusion were expressed on 13 August 2018 on the interim condensed consolidated financial information for the period ended 30 September 2018, 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 IFRS 9.



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 nine month period ended 30 September 2019, that might have had a material effect on business of the Group or its consolidated financial position.

A handwritten signature in blue ink, appearing to read 'Qais M. Al Nisf', written over a horizontal line.

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

Kuwait: 14 November 2019

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

Interim condensed consolidated statement of financial position (Unaudited)
As at 30 September 2019

	Notes	30 September 2019 KD	31 December 2018 (Audited) KD	30 September 2018 KD
ASSETS				
Non-current assets				
Property, plant and equipment		24,347,485	25,808,465	23,932,238
Financial assets at fair value through other comprehensive income		5,837,353	5,739,031	5,740,748
Investment in associates		<u>67,978,002</u>	<u>68,711,612</u>	<u>68,947,714</u>
		<u>98,162,840</u>	<u>100,259,108</u>	<u>98,620,700</u>
Current assets				
Inventories		53,463,800	50,290,947	52,469,420
Contract assets		2,606,371	2,606,371	2,634,292
Contract receivables	4	67,134,931	58,029,406	51,607,582
Trade receivables and other debit balances		33,280,400	28,951,035	30,972,898
Due from related parties	5	3,647,141	2,836,946	3,057,339
Financial assets at fair value through profit or loss		4,251	4,234	4,399
Cash and cash equivalents		<u>1,806,239</u>	<u>848,952</u>	<u>3,862,268</u>
		<u>161,943,133</u>	<u>143,567,891</u>	<u>144,608,198</u>
Total assets		<u>260,105,973</u>	<u>243,826,999</u>	<u>243,228,898</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 reserve		2,223,931	2,223,931	2,223,931
Foreign currency translation reserve		118,038	115,055	115,742
Fair value reserve from financial assets at fair value through other comprehensive income		313,105	313,105	314,822
Accumulated losses		<u>(2,428,527)</u>	<u>(1,672,279)</u>	<u>(455,760)</u>
Equity attributable to shareholders of the Parent Company		<u>24,815,319</u>	<u>25,568,584</u>	<u>26,787,507</u>
Non-controlling interests		8,344,968	7,444,650	7,215,319
Total equity		<u>33,160,287</u>	<u>33,013,234</u>	<u>34,002,826</u>
LIABILITIES				
Non-current liabilities				
Term loans	7	75,427,842	77,281,956	85,272,835
Provision for end of service indemnity		<u>5,699,148</u>	<u>5,076,895</u>	<u>4,832,882</u>
		<u>81,126,990</u>	<u>82,358,851</u>	<u>90,105,717</u>
Current liabilities				
Term loans	7	39,504,861	29,110,786	18,801,422
Due to banks	8	9,674,931	20,715,624	12,793,551
Notes payable	9	37,947,377	23,593,284	28,602,816
Finance lease obligations		247,183	754,738	293,659
Contract liabilities		2,229,848	1,348,673	1,372,748
Trade payables and other payables		40,192,420	38,441,014	39,608,613
Due to related parties	5	16,022,076	14,490,795	17,647,546
Total current liabilities		<u>145,818,696</u>	<u>128,454,914</u>	<u>119,120,355</u>
Total liabilities		<u>226,945,686</u>	<u>210,813,765</u>	<u>209,226,072</u>
Total liabilities and equity		<u>260,105,973</u>	<u>243,826,999</u>	<u>243,228,898</u>

The accompanying notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial information.

Tareq Mohammed Saqer Al Maosherji
Chairman

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

Interim condensed consolidated statement of income (Unaudited)
For the nine month period ended 30 September 2019

	Notes	For the three month period ended 30 September		For the nine month period ended 30 September	
		2019	2018	2019	2018
		KD	KD	KD	KD
Revenues	10	23,558,789	28,328,902	74,477,709	83,167,497
Cost of revenues		<u>(18,008,003)</u>	<u>(22,133,883)</u>	<u>(56,119,057)</u>	<u>(64,423,871)</u>
Gross profit		5,550,786	6,195,019	18,358,652	18,743,626
Other operating income	10	197,405	144,676	464,468	251,176
General and administrative expenses		(3,463,927)	(3,737,881)	(9,739,410)	(10,358,841)
Provision for slow moving inventories		(57,762)	(75,249)	(193,803)	(192,127)
Provision for expected credit losses of trade receivables		<u>(100,095)</u>	<u>(317,754)</u>	<u>(302,775)</u>	<u>(613,584)</u>
Profit from operations		2,126,407	2,208,811	8,587,132	7,830,250
Gain / (loss) on disposal of property, plant and equipment		8,717	(16,324)	16,198	1,221
Unrealised gain / (loss) from investments in financial assets at fair value through profit or loss		183	(439)	17	(1,064)
Share of results of investment in associates		(246,642)	(112,739)	(733,610)	(328,402)
Other income	10	37,970	105,287	262,989	506,608
Finance costs		<u>(2,698,359)</u>	<u>(2,835,295)</u>	<u>(7,984,285)</u>	<u>(7,883,070)</u>
(Loss) / profit for the period before National Labor Support Tax (NLST)		(771,724)	(650,699)	148,441	125,543
National Labor Support Tax		<u>12,456</u>	<u>708</u>	<u>(9,297)</u>	<u>(26,450)</u>
(Loss) / profit for the period		<u><u>(759,268)</u></u>	<u><u>(649,991)</u></u>	<u><u>139,144</u></u>	<u><u>99,093</u></u>
Attributable to:					
Shareholders of the Parent Company		(863,359)	(756,766)	(756,248)	(452,958)
Non-controlling interests		<u>104,091</u>	<u>106,775</u>	<u>895,392</u>	<u>552,051</u>
		<u><u>(759,268)</u></u>	<u><u>(649,991)</u></u>	<u><u>139,144</u></u>	<u><u>99,093</u></u>
Basic and diluted losses per share attributable to the shareholders of the Parent Company (fils)	11	<u><u>(5.23)</u></u>	<u><u>(4.59)</u></u>	<u><u>(4.58)</u></u>	<u><u>(2.75)</u></u>

The accompanying notes on pages 8 to 19 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 nine month period ended 30 September 2019

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2019	2018	2019	2018
	KD	KD	KD	KD
(Loss) / profit for the period	(759,268)	(649,991)	139,144	99,093
Other comprehensive income:				
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Change in foreign currency translation	16,279	17,710	7,909	45,055
<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
Total other comprehensive income for the period	<u>16,279</u>	<u>17,710</u>	<u>7,909</u>	<u>49,057</u>
Total comprehensive (loss) / income for the period	<u>(742,989)</u>	<u>(632,281)</u>	<u>147,053</u>	<u>148,150</u>
Attributable to:				
Shareholders of the Parent Company	(852,360)	(743,541)	(753,265)	(414,317)
Non-controlling interests	109,371	111,260	900,318	562,467
	<u>(742,989)</u>	<u>(632,281)</u>	<u>147,053</u>	<u>148,150</u>

The accompanying notes on pages 8 to 19 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 nine month period ended 30 September 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	Accumulated losses KD	Total KD	Non-controlling interests 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)	-	-	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
("Restated") (loss) / profit for the period	-	-	-	-	-	-	-	-	-	-	(452,958)	(452,958)	552,051	99,093
Total other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	-	34,639	-	-	4,002	-	38,641	10,416
Balance at 30 September 2018	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	115,742	-	314,822	(455,760)	26,787,507	7,215,319	34,002,826
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	-	-	-	-	-	-	-	-	-	-	(756,248)	(756,248)	895,392	139,144
Total other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	-	2,983	-	-	-	2,983	4,926	7,909
Balance at 30 September 2019	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	118,038	-	313,105	(2,428,527)	24,815,319	8,344,968	33,160,287

The accompanying notes on pages 8 to 19 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 nine month period ended 30 September 2019

	For the nine month period ended	
	30 September	
	2019	2018
	KD	KD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	139,144	99,093
<i>Adjustments:</i>		
Depreciation	2,197,007	1,808,862
Provision for slow moving inventories	193,803	192,127
Provision for expected credit losses of trade receivables	302,775	613,584
Unrealised loss from financial assets at fair value through profit or loss	(17)	1,064
Gain on disposal of property, plant and equipment	(16,198)	(1,221)
Share of results of investment in associates	733,610	328,402
Finance costs	7,984,285	7,883,070
Provision for end of service indemnity	814,092	1,233,508
	<u>12,348,501</u>	<u>12,158,489</u>
<i>Changes in operating assets and liabilities:</i>		
Inventories	(3,366,656)	(12,488,279)
Contract assets	-	(882,043)
Contract receivables	(9,105,525)	10,768,789
Trade receivables and other debit balances	(4,632,140)	(5,506,318)
Due from related parties	(810,195)	159,453
Contract liabilities	881,175	370,003
Trade payables and other payables	1,725,084	337,604
Due to related parties	1,531,281	3,554,103
Cash (used in) / generated from operations	(1,428,475)	8,471,801
Employees' end of service benefits paid	(191,839)	(605,064)
Net cash flows (used in) / from operating activities	<u>(1,620,314)</u>	<u>7,866,737</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(837,591)	(678,822)
Proceed from disposal of property, plant and equipment	117,762	242,546
Purchase of financial assets at fair value through other comprehensive income	(72,000)	-
Net cash flows used in investing activities	<u>(791,829)</u>	<u>(436,276)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans	35,335,819	23,349,628
Repayment of term loans	(26,795,858)	(25,609,445)
Net movement of due to banks	(1,299,279)	1,818,715
Net movement of notes payable	4,612,679	7,904,091
Net movement of finance lease obligations	(507,555)	(6,687,313)
Finance costs paid	(7,984,285)	(7,883,070)
Net cash flows from / (used in) financing activities	<u>3,361,521</u>	<u>(7,107,394)</u>
Net increase in cash and cash equivalents	949,378	323,067
Foreign currency translation adjustments	7,909	45,055
Cash and cash equivalents at the beginning of the period	848,952	3,494,146
Cash and cash equivalents at the end of the period	<u>1,806,239</u>	<u>3,862,268</u>
Non-cash transactions		
Purchase of financial assets at fair value through other comprehensive income through payables	26,322	-
Purchase of property, plant and equipment through finance lease obligations	-	(408,989)
Disposals of property, plant and equipment through settlements of trade payables and accruals	-	4,784,334
Disposals of property, plant and equipment through settlements of finance lease obligations	-	1,554,381

The accompanying notes on pages 8 to 19 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 nine month period ended 30 September 2019**

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 Boursa - 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.

The condensed consolidated interim financial information includes the condensed interim financial informations of the Parent Company and its subsidiaries (together referred to as "the Group").

This interim condensed consolidated financial information for the nine month period ended 30 September 2019 were authorised for issue by the Board of Directors of the Parent Company on 14 November 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 nine month period ended 30 September 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.

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.

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

Notes to the interim condensed consolidated financial information (Unaudited)
For the nine month period ended 30 September 2019

2. BASIS OF PREPARATION (CONTINUED)

Changes in significant accounting policies (Continued)

IFRS 16: Leases (continued)

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 nine month period ended 30 September 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.

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
	30 September 2019	31 December 2018	30 September 2018		
	%	(Audited) %	%		
Arabi Company W.L.L. (*)	100	100	100	State of Kuwait	General trading and contracting
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

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

Notes to the interim condensed consolidated financial information (Unaudited)
For the nine month period ended 30 September 2019

3. BASIS OF CONSOLIDATION (CONTINUED)

The Group's share in subsidiaries has been recorded based on interim condensed financial information prepared by the management as at 30 September 2019 except for Arabi Eneritech 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
	30 September 2019	31 December 2018 (Audited)	30 September 2018		
	%	%	%		
Gulf Services and Industrial Supplies Company	100	100	100	Oman	General Trading and Contracting
Arabi Company W.L.L.	100	100	100	Qatar	General Trading and Contracting
Altec Corporation Limited	90.03	90.03	90.03	India	General Trading and Contracting
Warba Mechanical Equipments L.L.C.	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 nine month period ended 30 September 2019 has been recognised based on their management accounts.

4. CONTRACT RECEIVABLES

	30 September 2019	31 December 2018 (Audited)	30 September 2018
	KD	KD	KD
Contract receivables	75,710,580	66,605,055	57,083,157
Provision for excepted credit losses (*)	(8,575,649)	(8,575,649)	(5,475,575)
	<u>67,134,931</u>	<u>58,029,406</u>	<u>51,607,582</u>

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

	30 September 2019	31 December 2018 (Audited)	30 September 2018
	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	-	621,618	-
	<u>8,575,649</u>	<u>8,575,649</u>	<u>5,475,575</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:

	30 September 2019	31 December 2018 (Audited)	30 September 2018
	KD	KD	KD
<i>Interim condensed consolidated statement of financial position:</i>			
Due from related parties	3,647,141	2,836,946	3,057,339
Finance lease obligations	-	82,880	82,880
Due to related parties	16,022,076	14,490,795	17,647,546

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 6,615,207 (31 December 2018: KD 6,676,109 and 30 September 2018: KD 6,696,807) (included in due to related parties) which carries an interest rate of 6.5% (31 December 2018: 6.5% and 30 September 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:

	30 September 2019	30 September 2018
	KD	KD
<i>Interim condensed consolidated statement of income:</i>		
Salaries and short term benefits	216,250	203,250
End of service benefits	25,704	33,660
Finance costs	291,698	268,362

6. TREASURY SHARES

	30 September 2019	31 December 2018 (Audited)	30 September 2018
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)	720,194	677,173	549,705
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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7. 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 30 September 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:

	30 September 2019	31 December 2018 (Audited)	30 September 2018
	KD	KD	KD
Non-current portion	75,427,842	77,281,956	85,272,835
Current portion	39,504,861	29,110,786	18,801,422
	<u>114,932,703</u>	<u>106,392,742</u>	<u>104,074,257</u>

8. 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 30 September 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 7).

9. 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 30 September 2018 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. REVENUES

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, contract duration and timing of revenue recognition.

Segments	For the three months period ended 30 September 2019				For the three months period ended 30 September 2018					
	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD
<i>Type of revenue</i>										
Services and maintenance	4,225,225	-	4,225,225	-	4,225,225	5,564,510	-	5,564,510	-	5,564,510
Constructions	3,805,404	-	3,805,404	-	3,805,404	6,532,195	-	6,532,195	-	6,532,195
Manpower supply	544,576	-	544,576	-	544,576	1,622,156	-	1,622,156	-	1,622,156
Sale of goods	-	14,983,584	14,983,584	-	14,983,584	-	14,610,041	14,610,041	-	14,610,041
Other operating income	-	-	-	197,405	197,405	-	-	-	144,676	144,676
Other income	-	-	-	37,970	37,970	-	-	-	105,287	105,287
	8,575,205	14,983,584	23,558,789	235,375	23,794,164	13,718,861	14,610,041	28,328,902	249,963	28,578,865
<i>Type of customer</i>										
Government	7,908,933	503,221	8,412,154	-	8,412,154	12,346,975	-	12,346,975	-	12,346,975
Non-government	666,272	14,480,363	15,146,635	235,375	15,382,010	1,371,886	14,610,041	15,981,927	249,963	16,231,890
	8,575,205	14,983,584	23,558,789	235,375	23,794,164	13,718,861	14,610,041	28,328,902	249,963	28,578,865
<i>Primary geographical markets</i>										
State of Kuwait	8,575,205	13,937,335	22,512,540	235,375	22,747,915	13,718,861	14,009,464	27,728,325	249,963	27,978,288
GCC	-	1,046,249	1,046,249	-	1,046,249	-	600,577	600,577	-	600,577
	8,575,205	14,983,584	23,558,789	235,375	23,794,164	13,718,861	14,610,041	28,328,902	249,963	28,578,865
<i>Contract duration</i>										
Short-term contracts	99,798	14,983,584	15,083,382	235,375	15,318,757	504,854	14,610,041	15,114,895	249,963	15,364,858
Long-term contracts	8,475,407	-	8,475,407	-	8,475,407	13,214,007	-	13,214,007	-	13,214,007
	8,575,205	14,983,584	23,558,789	235,375	23,794,164	13,718,861	14,610,041	28,328,902	249,963	28,578,865
<i>Timing of revenue recognition</i>										
Services/goods transferred at a point in time	8,030,629	-	8,030,629	235,375	8,266,004	12,096,705	-	12,096,705	249,963	12,346,668
Services transferred over time	544,576	14,983,584	15,528,160	-	15,528,160	1,622,156	14,610,041	16,232,197	-	16,232,197
	8,575,205	14,983,584	23,558,789	235,375	23,794,164	13,718,861	14,610,041	28,328,902	249,963	28,578,865

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10. REVENUES (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

Segments	For the nine months period ended 30 September 2019					For the nine months period ended 30 September 2018				
	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD	Oil and gas services KD	Trading KD	Sub-total KD	Others KD	Total KD
<i>Type of revenue</i>										
Services and maintenance	23,041,440	-	23,041,440	-	23,041,440	26,511,761	-	26,511,761	-	26,511,761
Constructions	9,990,327	-	9,990,327	-	9,990,327	15,556,796	-	15,556,796	-	15,556,796
Manpower supply	2,662,898	-	2,662,898	-	2,662,898	4,066,375	-	4,066,375	-	4,066,375
Sale of goods	-	38,783,044	38,783,044	-	38,783,044	-	37,032,565	37,032,565	-	37,032,565
Other operating income	-	-	-	464,468	464,468	-	-	-	251,176	251,176
Other income	35,694,665	38,783,044	74,477,709	262,989	75,203,166	46,134,932	37,032,565	83,167,497	506,608	83,925,281
				727,457					757,784	
<i>Type of customer</i>										
Government	32,316,447	503,221	32,819,668	-	32,819,668	41,521,439	-	41,521,439	-	41,521,439
Non-government	3,378,218	38,279,823	41,658,041	727,457	42,385,498	4,613,493	37,032,565	41,646,058	757,784	42,403,842
	35,694,665	38,783,044	74,477,709	727,457	75,203,166	46,134,932	37,032,565	83,167,497	757,784	83,925,281
<i>Primary geographical markets</i>										
State of Kuwait	35,694,665	30,670,826	66,365,491	727,457	67,092,948	46,134,932	29,286,493	75,421,425	757,784	76,179,209
GCC	-	8,112,218	8,112,218	-	8,112,218	-	7,746,072	7,746,072	-	7,746,072
	35,694,665	38,783,044	74,477,709	727,457	75,203,166	46,134,932	37,032,565	83,167,497	757,784	83,925,281
<i>Contract duration</i>										
Short-term contracts	1,097,794	38,783,044	39,880,838	727,457	40,608,295	1,697,765	37,032,565	38,730,330	757,784	39,488,114
Long-term contracts	34,596,871	-	34,596,871	-	34,596,871	44,437,167	-	44,437,167	-	44,437,167
	35,694,665	38,783,044	74,477,709	727,457	75,203,166	46,134,932	37,032,565	83,167,497	757,784	83,925,281
<i>Timing of revenue recognition</i>										
Services/goods transferred at a point in time	33,031,767	-	33,031,767	727,457	33,759,224	42,068,557	-	42,068,557	757,784	42,826,341
Services transferred over time	2,662,898	38,783,044	41,445,942	-	41,445,942	4,066,375	37,032,565	41,098,940	-	41,098,940
	35,694,665	38,783,044	74,477,709	727,457	75,203,166	46,134,932	37,032,565	83,167,497	757,784	83,925,281

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11. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings 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 months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
Loss for the period attributable to shareholders of the Parent Company (KD)	<u>(863,359)</u>	<u>(756,766)</u>	<u>(756,248)</u>	<u>(452,958)</u>
Weighted average number of outstanding shares during the period excluding treasury shares (shares)	<u>164,995,499</u>	<u>164,995,499</u>	<u>164,995,499</u>	<u>164,995,499</u>
Basic losses per share (fils)	<u>(5.23)</u>	<u>(4.59)</u>	<u>(4.58)</u>	<u>(2.75)</u>

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:

	30 September 2019	31 December 2018 (Audited)	30 September 2018
	KD	KD	KD
Capital commitments			
Purchase of investment in associate	<u>29,990,000</u>	<u>29,990,000</u>	<u>29,990,000</u>
Contingent liabilities			
Letter of credits	3,363,532	1,116,078	1,439,832
Letter of guarantees	78,180,998	74,035,405	73,708,319
Letter of acceptances	505,490	613,023	698,896
	<u>82,050,020</u>	<u>75,764,506</u>	<u>75,847,047</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		Investments		Constructions		Total	
	30 September		30 September		30 September		30 September		30 September	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	KD		KD		KD		KD		KD	
Segment revenues	41,297,943	48,958,377	33,602,124	32,313,825	12,713	-	292,386	2,654,300	75,205,166	83,926,502
Segment profit / (loss)	3,300,137	2,050,502	735,958	1,107,853	(3,773,086)	(3,085,460)	(123,865)	26,198	139,144	99,093
Segment assets	133,883,029	115,379,723	30,864,061	42,972,762	81,993,814	72,162,953	13,365,069	12,713,460	260,105,973	243,228,898
Segment liabilities	121,907,607	103,515,862	28,450,031	27,087,256	76,104,808	77,704,891	483,240	918,063	226,945,686	209,226,072

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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 30 September 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>	<u>Level 3</u>	<u>Total</u>
	KD	KD	KD
30 September 2019			
<i>Financial assets at fair value through other comprehensive income</i>			
Unquoted securities	-	5,837,353	5,837,353
<i>Financial assets at fair value through profit or loss</i>			
Quoted securities	4,251	-	4,251
	<u>4,251</u>	<u>5,837,353</u>	<u>5,841,604</u>
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
	KD	KD	KD
31 December 2018 (Audited)			
<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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15. FAIR VALUE MEASUREMENT (CONTINUED)

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
	KD	KD	KD
<i>30 September 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	4,399	-	4,399
	<u>4,399</u>	<u>5,740,748</u>	<u>5,745,147</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.

16. 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.

17. 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.