

**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 months period ended 31 March 2020**

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 months period ended 31 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

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

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 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months 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.

Basis for Qualified Conclusion

The Group's investment in associate (Health Assurance Hospital Company K.S.C.P. ("Dhaman" or "the associate")) is carried at KD 67,173,885 as at 31 March 2020, during the current period the Group has lost their representation in the Board of Directors in the associate Company (equity accounted investee). The management believes that the Group still has the right to exert a significant influence over the associate through other means, and accordingly the Group continues to apply the equity method in accounting for the investment. Therefore, we are not able to obtain sufficient appropriate evidence to satisfy ourselves in support of the management's assessment of the existence of significant influence over the associate. Consequently, we were unable to determine whether adjustments to the carrying value of the investment in associate as at 31 March 2020, might be necessary and its consequential effect thereof to the interim condensed consolidated financial information See (Note 17).

Conclusion

Based on our review, with the exception of the matter described in the "Basis for 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: Interim Financial Reporting.



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS
(CONTINUED)**

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, with the exception of the matter described in the "*Basis for Qualified Conclusion*" paragraph, 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 months period ended 31 March 2020, that might have had a material effect on business of the Group or its consolidated financial position.

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

Kuwait: 13 August 2020

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 2020

		(Audited)	(Restated)
	31 March	31 December	31 March
	2020	2019	2019
Notes	KD	KD	KD
ASSETS			
Non-current assets			
Property, plant and equipment	30,144,085	30,508,735	25,816,712
Investment in associates	67,173,886	67,569,514	68,503,609
Financial assets at fair value through other comprehensive income	5,837,353	5,837,353	5,739,031
	<u>103,155,324</u>	<u>103,915,602</u>	<u>100,059,352</u>
Current assets			
Inventories	52,585,218	53,313,184	52,121,763
Contract assets	2,606,371	4,283,163	2,606,371
Contract receivables	4 71,108,245	67,407,752	60,327,181
Trade receivables and other debit balances	31,630,466	37,223,193	27,659,884
Due from related parties	5 5,535,702	4,583,449	2,470,203
Financial assets at fair value through profit or loss	3,897	4,943	4,416
Cash and cash equivalents	2,226,828	1,470,746	1,014,902
	<u>165,696,727</u>	<u>168,286,430</u>	<u>146,204,720</u>
Total assets	<u>268,852,051</u>	<u>272,202,032</u>	<u>246,264,072</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	8,873,775	8,873,775	2,223,931
Foreign currency translation reserve	245,617	108,446	117,636
Fair value reserve from financial assets at fair value through other comprehensive income	313,105	313,105	313,105
Accumulated losses	(4,465,581)	(3,314,147)	(1,981,489)
Equity attributable to shareholders of the Parent Company	<u>29,555,688</u>	<u>30,569,951</u>	<u>25,261,955</u>
Non-controlling interests	8,616,380	8,485,740	7,660,383
Total equity	<u>38,172,068</u>	<u>39,055,691</u>	<u>32,922,338</u>
LIABILITIES			
Non-current liabilities			
Provision for end of service indemnity	6,139,863	5,891,073	5,299,371
Term loans	7 89,780,068	84,505,703	73,973,073
Lease liabilities	417,066	428,584	464,950
	<u>96,336,997</u>	<u>90,825,360</u>	<u>79,737,394</u>
Current liabilities			
Term loans	7 33,525,350	40,846,551	31,642,963
Lease liabilities	46,070	46,070	46,070
Due to banks	8 10,622,701	10,202,907	21,373,934
Notes payable	9 31,137,429	30,916,687	24,820,014
Finance lease obligations	100,743	262,754	329,923
Contract liabilities	-	1,459,031	1,789,715
Trade payables and other payables	42,815,869	43,039,237	38,511,471
Due to related parties	5 16,094,824	15,547,744	15,090,250
Total current liabilities	<u>134,342,986</u>	<u>142,320,981</u>	<u>133,604,340</u>
Total liabilities	<u>230,679,983</u>	<u>233,146,341</u>	<u>213,341,734</u>
Total liabilities and equity	<u>268,852,051</u>	<u>272,202,032</u>	<u>246,264,072</u>

The accompanying notes on pages 8 to 22 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 months period ended 31 March 2020

	Notes	Three months ended	
		31 March	
		2020	(Restated) 2019
		KD	KD
Revenue from contracts with customers	10	21,463,475	23,607,432
Cost of revenue		(16,362,498)	(17,943,113)
Gross profit		<u>5,100,977</u>	<u>5,664,319</u>
Other operating income	10	138,748	234,627
General and administrative expenses		(2,880,743)	(3,094,843)
Provision for obsolete and slow moving inventories		(62,055)	(55,643)
Provision for expected credit losses		(578,419)	(100,926)
Profit from operations		<u>1,718,508</u>	<u>2,647,534</u>
Loss on disposal of property, plant and equipment		-	(2,534)
Share of results of investment in associates		(395,628)	(208,003)
Unrealised (loss)/gain from financial assets at fair value through profit or loss		(1,046)	182
Other income	10	65,036	80,937
Finance costs		(2,400,897)	(2,611,023)
Loss for the period		<u>(1,014,027)</u>	<u>(92,907)</u>
Attributable to:			
Shareholders of the Parent Company		(1,151,434)	(309,210)
Non-controlling interests		137,407	216,303
		<u>(1,014,027)</u>	<u>(92,907)</u>
Basic and diluted loss per share attributable to the shareholders of the Parent Company (fils)	11	<u>(6.98)</u>	<u>(1.87)</u>

The accompanying notes on pages 8 to 22 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 months period ended 31 March 2020

	Three months ended	
	31 March	
	2020	(Restated)
	KD	KD
Loss for the period	(1,014,027)	(92,907)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>		
Change in foreign currency translation	130,404	2,011
Total other comprehensive income for the period	<u>130,404</u>	<u>2,011</u>
Total comprehensive loss for the period	<u>(883,623)</u>	<u>(90,896)</u>
Attributable to:		
Shareholders of the Parent Company	(1,014,263)	(306,629)
Non-controlling interests	130,640	215,733
	<u>(883,623)</u>	<u>(90,896)</u>

The accompanying notes on pages 8 to 22 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 months period ended 31 March 2020

		Equity attributable to shareholders of the Parent Company													
		Share capital	Share premium	Treasury shares	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Revaluation surplus	Foreign currency translation reserve	Fair value reserve from financial assets at fair value through other comprehensive income	Accumulated losses	Total	Non-controlling interests	Total equity
		KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
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 ("as previously reported")		-	-	-	-	-	-	-	-	-	(321,332)	(321,332)	216,303	(105,029)	
Effect on restatement of adoption of IFRS 16 (Note 18)		-	-	-	-	-	-	-	-	-	12,122	12,122	-	12,122	
(Loss)/profit for the period ("as restated")		-	-	-	-	-	-	-	-	-	(309,210)	(309,210)	216,303	(92,907)	
Total other comprehensive income/(loss) for the period		-	-	-	-	-	-	-	2,581	-	-	2,581	(570)	2,011	
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	-	2,581	-	(309,210)	(306,629)	215,733	(90,896)	
Balance at 31 March 2019 (Restated)		17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	117,636	313,105	(1,981,489)	25,261,955	7,660,383	32,922,338	
Balance at 1 January 2020		17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	8,873,775	108,446	313,105	(3,314,147)	30,569,951	8,485,740	39,055,691	
(Loss)/profit for the period		-	-	-	-	-	-	-	-	-	(1,151,434)	(1,151,434)	137,407	(1,014,027)	
Total other comprehensive income/(loss) for the period		-	-	-	-	-	-	-	137,171	-	-	137,171	(6,767)	130,404	
Total comprehensive income/(loss) for the period		-	-	-	-	-	-	-	137,171	-	(1,151,434)	(1,014,263)	130,640	(883,623)	
Balance at 31 March 2020		17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	8,873,775	245,617	313,105	(4,465,581)	29,555,688	8,616,380	38,172,068	

The accompanying notes on pages 8 to 22 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 months period ended 31 March 2020

	Three months ending 31 March	
	2020 KD	(Restated) 2019 KD
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(1,014,027)	(92,907)
<i>Adjustments:</i>		
Depreciation	569,230	701,534
Gain on disposal of property, plant and equipment	-	2,534
Share of results of investment in associates	395,628	208,003
Unrealised loss/(gain) from financial assets at fair value through profit or loss	1,046	(182)
Provision for slow moving inventories	62,055	55,643
Provision for expected credit losses	578,419	100,926
Provision for end of service indemnity	314,493	256,014
Finance costs	2,400,897	2,611,023
	<u>3,307,741</u>	<u>3,842,588</u>
<i>Changes in operating assets and liabilities:</i>		
Inventories	665,911	(1,886,459)
Contract receivables	(2,487,763)	(2,297,775)
Trade receivables and other debit balances	4,662,088	1,190,225
Due from related parties	(952,253)	366,743
Contract liabilities	(1,459,031)	441,042
Trade payables and other payables	592,914	70,457
Due to related parties	450,171	599,455
Cash generated from operations	4,779,778	2,326,276
Employees' end of service benefits paid	(65,703)	(33,538)
Net cash from operating activities	<u>4,714,075</u>	<u>2,292,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(204,580)	(189,173)
Net cash used in investing activities	<u>(204,580)</u>	<u>(189,173)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans	1,708,290	4,499,935
Settlement of term loans	(2,522,843)	(6,263,391)
Repayment of lease liabilities	(11,518)	(12,122)
Net movement of due to banks	419,794	1,645,060
Net movement of notes payable	(1,641,303)	1,226,730
Net movement of finance lease obligations	(131,380)	(424,815)
Finance costs paid	(1,704,857)	(2,611,023)
Net cash used in financing activities	<u>(3,883,817)</u>	<u>(1,939,626)</u>
Net increase in cash and cash equivalents	625,678	163,939
Foreign currency translation adjustments	130,404	2,011
Cash and cash equivalents at the beginning of the period	1,470,746	848,952
Cash and cash equivalents at the end of the period	<u>2,226,828</u>	<u>1,014,902</u>

The accompanying notes on pages 8 to 22 form an integral part of these interim condensed consolidated financial information.

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 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.

This interim condensed consolidated financial information for the three months period ended 31 March 2020 were authorised for issue by the Board of Directors of the Parent Company on 13 August 2020.

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 consolidated financial statements as at and for the year ended 31 December 2019 ("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 months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2019.

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)

In relation to the recent COVID-19 outbreak, the Group's business continuity plans are working well. At this stage of the outbreak it is difficult to fully assess the magnitude of the impact on the Group, however, the Group has assessed the principal risks and uncertainties, including the COVID-19 pandemic and the impact it is having on economic activity. The Group actively monitors the impact of COVID-19 and adopting cost control measures to mitigate against the potential future impact of weaker demand of the Group's services. These measures have included;

- The reduction of appropriate variable costs;
- Tight control of discretionary expenditure;
- A recruitment freeze;
- And temporary reduction in working hours and employees.

The management has a reasonable expectation that the Group has adequate resources to continue operating as a going concern for the foreseeable future. In particular, the management has taken into consideration cash flow projections from potential stress scenarios regarding the duration of the current coronavirus ("COVID-19").

The Group has modeled a number of scenarios, taking account of current levels of trading, consequential impact on cash flows, including working capital, and availability of support from the government. These scenarios include various mitigation measures including deferring certain cash flows. In all scenarios, the Group has more than sufficient headroom in its available resources.

The Group continues to have significant liquidity headroom on its existing financing facilities. As at 31 March 2020, the Group has:

- Undrawn committed bank facilities of KD 19,188,312.
- The Group has unrestricted bank balances amounting to KD 1,983,552 and term deposit amounting to KD 112,185.
- Bank overdraft facilities amounting to KD 6,297,944 renewable on an annual basis.

The management has taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period as follows:

- Certain principal repayments and interest dues ranging from the period March 2020 to September 2020 have been deferred.

Based on the scenarios set by the management and the resources available to the Group, the management believes the Group has more than sufficient liquidity to manage through a range of different cash flow scenarios to continue in operational existence over the next 12 months. Given the Group's strong liquidity position, the management continues to adopt the going concern basis in preparing the Group's interim condensed consolidated financial information.

2. BASIS OF PREPARATION (CONTINUED)

Changes in significant accounting policies

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 2019.

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 2020.

The Group has adopted new amendments are effective from 1 January 2020 but they do not have a material effect on the Group's interim condensed consolidated financial information. The amendments are as follows:

- Amendments to IFRS 3: Definition of a Business.
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Conceptual Framework for Financial Reporting.
- Amendments to IFRS 16: COVID-19 Related Rent Concessions.

During the three months 31 March 2020, the Group did not early adopt any amendments, standards or interpretations that have been issued but are not yet effective.

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 consolidated financial statements, except for significant judgements and key sources of estimation uncertainty which related to the impact of COVID-19 pandemic, as below.

Impairment of non-financial assets

The Group has a number of non-financial assets which are assessed for impairment. The following are the significant areas, which the management has exercised a significant judgements and estimation uncertainty:

- Property, plant and equipment

The Group has considered impairment indicators arising and significant uncertainties around its property, plant and equipment. The Group concluded that as the financial impact of COVID-19 on the economy is in early stages and as there is limited information available due to variable data, it is difficult to reach a conclusion for the impairment indicators at the reporting date. As the situation continues to unfold, the Group will consistently monitor the market and ensure the Group obtains accurate representation of fair values of non-financial assets.

2. BASIS OF PREPARATION (CONTINUED)

Use of judgements and estimates (Continued)

Impairment of non-financial assets (continued)

- Investment in associates

The Group has an investment in associates which are assessed for impairment. The Board of Directors has reviewed management's judgement that the Group's assets do not need to be impaired. In reviewing this judgement, the Board of Directors considered the appropriateness of the key inputs in the value in use calculations prepared by management including the cash flows based on the Group's five-year plan as at 31 March 2020, the assumed long-term growth rate of subsequent cash flows and the risk adjusted discount rate.

The Group is considering the potential impacts of the current economic volatility in determination of the reported amounts of the Group's non-financial assets and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Valuation of unquoted equity securities

The markets for unquoted equity securities are illiquid and the valuations determination of the fair value as at 31 March 2020 would be based on valuation models that have unobservable inputs, given the current market volatility that has arisen as a result of COVID-19. Therefore, the valuation determinations of these unquoted equity securities are subject to additional estimation uncertainty as the markets remain volatile. Hence, the recorded amounts remain sensitive to market fluctuations.

Further information about the assumptions made in measuring fair values is included in (Note 16).

Obsolete and slow moving inventories provision

The inventories provision have been reviewed for post-period changes in expected net realisable value, driven by changes in customer buying behaviour as a result of COVID-19. All inventories provision requires judgement, and is based on a number of factors including current and expected sales performance, stock over current trends and changes in technology.

Following the review, and even though the quantification of such increase in risk remains very difficult in the current uncertain environment, The Group anticipated that additional obsolete and slow moving inventories provision is required amounting to KD 62,055 has been accounted for in this interim condensed consolidated financial information for the period ended 31 March 2020 against the inventories held at the consolidated balance sheet date. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

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 months period ended 31 March 2020

2. BASIS OF PREPARATION (CONTINUED)

Use of judgements and estimates (Continued)

Expected credit losses

IFRS 9 requires the estimation of expected credit loss (“ECL”) based on current and forecasted economic conditions. In order to assess ECL under forecast economic conditions, the Group concluded that such situation is likely to lead to an increase in the ECL from contract receivables and trade receivables. This is mainly due to the increase of the counterparty risk (risk of default) from customers.

The uncertainties caused by COVID-19, have required the Group to update the ECL model and supplemented with Post Model Adjustments (“PMA”). Even though the quantification of such increase in risk remains very difficult in the current uncertain environment and the absence of sufficient statistical historical data, additional provision for expected credit losses for contract receivables and trade receivables, amounting to KD 464,062 and KD 114,357, respectively, has been accounted for in this interim condensed consolidated financial information for the period ended 31 March 2020, based on revised assessments performed. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

3. BASIS OF CONSOLIDATION

This interim condensed consolidated financial information for the three months period ended 31 March 2020 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
	(Audited)				
	31 March 2020	31 December 2019	31 March 2019		
	%	%	%		
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

The Group’s share in subsidiaries has been recorded based on interim condensed financial information prepared by the management as at 31 March 2020 except for Arabi Enertech Company K.S.C. (Closed) and Arabi Company W.L.L. which are based on reviewed interim condensed financial information.

Arabi Group Holding K.S.C. (Public) and its subsidiaries
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Notes to the interim condensed consolidated financial information (Unaudited)
For the three months period ended 31 March 2020

3. BASIS OF CONSOLIDATION (CONTINUED)

(*) 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	Voting rights and equity interest %			Country of incorporation	Principal activities
	(Audited)				
	31 March 2020	31 December 2019	31 March 2019		
	%	%	%		
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 three months ended 31 March 2020 has been recognised based on their management accounts.

4. CONTRACT RECEIVABLES

	31 March 2020	(Audited) 31 December 2019	31 March 2019
	KD	KD	KD
Contract receivables	81,412,747	77,248,192	69,003,756
Provision for excepted credit losses (*)	(10,304,502)	(9,840,440)	(8,676,575)
	<u>71,108,245</u>	<u>67,407,752</u>	<u>60,327,181</u>

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

	31 March 2020	(Audited) 31 December 2019	31 March 2019
	KD	KD	KD
Balance at 1 January	9,840,440	8,575,649	8,575,649
Charge during the period/year	464,062	1,264,791	100,926
	<u>10,304,502</u>	<u>9,840,440</u>	<u>8,676,575</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:

	31 March 2020	(Audited) 31 December 2019	31 March 2019
	KD	KD	KD
<i>Interim condensed consolidated statement of financial position:</i>			
Contract receivables	565,000	565,000	-
Due from related parties	5,535,702	4,583,449	2,470,203
Due to related parties	16,094,824	15,547,744	15,090,250

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 6,738,141 (31 December 2019: KD 6,633,106 and 31 March 2019: KD 6,653,273) (included in due to related parties), which carries an interest rate of 6.5% (31 December 2019: 6.5% and 31 March 2019: 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:

	31 March 2020	31 March 2019
	KD	KD
<i>Interim condensed consolidated statement of income:</i>		
Salaries and short term benefits	76,750	72,229
End of service benefits	11,610	5,610
Finance costs	96,909	88,471

6. TREASURY SHARES

	31 March 2020	(Audited) 31 December 2019	31 March 2019
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)	1,577,415	2,182,888	573,605
Cost (KD)	1,480,519	1,480,519	1,480,519

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6. TREASURY SHARES (CONTINUED)

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.

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 2019: from 2.5% to 4% and 31 March 2019: 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 subsidiaries Companies,
- Mortgage of the Group's properties,
- Promise to mortgage the entire 26% ownership of investment in associate,
- Financial assets at fair value through other comprehensive income.

Presented below maturity profile of term loans as follows:

	31 March 2020	(Audited) 31 December 2019	31 March 2019
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Non-current portion	89,780,068	84,505,703	73,973,073
Current portion	33,525,350	40,846,551	31,642,963
	<u>123,305,418</u>	<u>125,352,254</u>	<u>105,616,036</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 2019: from 2.5% to 4% and 31 March 2019: 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 2019: from 2.5% to 4% and 31 March 2019: 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	Three months period ended 31 March 2020				Total
	Oil and gas	Retail	Sub-total	Others	
	KD	KD	KD		
<i>Type of revenue</i>					
Services and maintenance	4,710,880	-	4,710,880	-	4,710,880
Construction	5,869,777	-	5,869,777	-	5,869,777
Manpower supply	921,293	-	921,293	-	921,293
Sale of goods	-	9,961,525	9,961,525	-	9,961,525
Other operating income	-	-	-	138,748	138,748
Other income	-	-	-	65,036	65,036
	11,501,950	9,961,525	21,463,475	203,784	21,667,259
<i>Type of customer</i>					
Government	11,423,811	-	11,423,811	-	11,423,811
Non-government	78,139	9,961,525	10,039,664	203,784	10,243,448
	11,501,950	9,961,525	21,463,475	203,784	21,667,259
<i>Primary geographical markets</i>					
State of Kuwait	11,501,950	7,540,327	19,042,277	203,784	19,246,061
GCCs	-	2,421,198	2,421,198	-	2,421,198
	11,501,950	9,961,525	21,463,475	203,784	21,667,259
<i>Timing of revenue recognition</i>					
Services/goods transferred at a point in time	-	9,961,525	9,961,525	203,784	10,165,309
Services transferred over time	11,501,950	-	11,501,950	-	11,501,950
	11,501,950	9,961,525	21,463,475	203,784	21,667,259

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10. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

Segments	Three months period ended 31 March 2019				
	Oil and gas	Retail	Sub-total	Others	Total
	KD	KD	KD	KD	KD
<i>Type of revenue</i>					
Services and maintenance	6,295,263	-	6,295,263	-	6,295,263
Construction	5,521,436	-	5,521,436	-	5,521,436
Manpower supply	592,758	-	592,758	-	592,758
Sale of goods	-	11,197,975	11,197,975	-	11,197,975
Other operating income	-	-	-	234,627	234,627
Other income	-	-	-	80,937	80,937
	<u>12,409,457</u>	<u>11,197,975</u>	<u>23,607,432</u>	<u>315,564</u>	<u>23,922,996</u>
<i>Type of customer</i>					
Government	12,109,047	-	12,109,047	-	12,109,047
Non-government	300,410	11,197,975	11,498,385	315,564	11,813,949
	<u>12,409,457</u>	<u>11,197,975</u>	<u>23,607,432</u>	<u>315,564</u>	<u>23,922,996</u>
<i>Primary geographical markets</i>					
State of Kuwait	12,409,457	8,273,873	20,683,330	315,564	20,998,894
GCCs	-	2,924,102	2,924,102	-	2,924,102
	<u>12,409,457</u>	<u>11,197,975</u>	<u>23,607,432</u>	<u>315,564</u>	<u>23,922,996</u>
<i>Timing of revenue recognition</i>					
Services/goods transferred at a point in time	-	11,197,975	11,197,975	315,564	11,513,539
Services transferred over time	12,409,457	-	12,409,457	-	12,409,457
	<u>12,409,457</u>	<u>11,197,975</u>	<u>23,607,432</u>	<u>315,564</u>	<u>23,922,996</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.

	Three months ended 31 March	
	2020	(Restated) 2019
Loss for the period attributable to shareholders of the Parent Company (KD)	(1,151,434)	(309,210)
Weighted average number of outstanding shares during the period excluding treasury shares (shares)	164,995,499	164,995,499
Basic and diluted loss per share (fils)	(6.98)	(1.87)

The Parent Company had no outstanding dilutive shares.

Basic and diluted loss per share for the period ended 31 March 2019 has been restated due to the application of IFRS 16 (Note 18).

12. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly Meeting of the Parent Company shareholders held on 28 June 2020 approved the consolidated financial statements for the year ended 31 December 2019, and approved no distribution of dividends and no Board of Directors remuneration for the year ended 31 December 2019.

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 2020	(Audited) 31 December 2019	31 March 2019
	KD	KD	KD
Capital commitments			
Purchase of investment in associate	29,990,000	29,990,000	29,990,000
Capital expenditures contracted related to property, plant and equipment	93,831	193,455	-
	<u>30,083,831</u>	<u>30,183,455</u>	<u>29,990,000</u>
Contingent liabilities			
Letters of credit	3,841,250	3,015,879	1,761,766
Letters of guarantees	77,200,764	74,197,159	76,419,726
Letters of acceptance	369,566	1,106,216	598,112
Certified cheques	194,496	-	-
	<u>81,606,076</u>	<u>78,319,254</u>	<u>78,779,604</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		Construction		Total	
	31 March		31 March		31 March		31 March		31 March	
	2020	(Restated) 2019	2020	(Restated) 2019	2020	(Restated) 2019	2020	(Restated) 2019	2020	(Restated) 2019
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment revenue	11,979,108	13,324,752	9,687,909	10,572,056	242	-	-	26,188	21,667,259	23,922,996
Segment profit/(loss)	520,074	799,745	(169,035)	363,822	(1,342,968)	(1,241,249)	(22,098)	(15,225)	(1,014,027)	(92,907)
Segment assets	137,061,834	119,733,524	46,729,512	42,655,345	71,467,921	70,642,389	13,592,784	13,232,814	268,852,051	246,264,072
Segment liabilities	124,606,401	108,890,414	28,440,881	28,304,899	77,131,124	75,562,602	501,577	583,819	230,679,983	213,341,734

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 2019.

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 are grouped into the fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
	KD	KD	KD
31 March 2020			
<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	3,897	-	3,897
	<u>3,897</u>	<u>5,837,353</u>	<u>5,841,250</u>
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
	KD	KD	KD
31 December 2019 (Audited)			
<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	4,943	-	4,943
	<u>4,943</u>	<u>5,837,353</u>	<u>5,842,296</u>
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
	KD	KD	KD
31 March 2019			
<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>

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

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17. LEGAL CLAIMS

There are certain lawsuits raised by/against the Group, mainly related to the associate Company (Health Assurance Hospital Company K.S.C.P. (“Dhaman”)) and one of the Group’s creditors, the results of which cannot be assessed till being finally cleared by the court of law. 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.

The relative comparative figures were restated for the interim period ended 31 March 2019 to reflect the transitional provisions stated in IFRS 16, and resulted an increase in property, plant and equipment amounted to KD 523,142 and lease liabilities amounted to KD 523,142.

Retrospective application had an impact on the interim condensed statement of income that was previously stated and comparable for the three months period ended 31 March 2019.

The following tables summaries the impact in the Group’s interim condensed consolidated statement of income:

	Impact of restatement		
	As previously reported	Adjustments	As restated
	KD	KD	KD
31 March 2019			
General and administrative expenses	(3,107,602)	12,759	(3,094,843)
Finance costs	(2,610,386)	(637)	(2,611,023)
Loss for the period	(105,029)	12,122	(92,907)
Attributable to:			
Shareholders of the Parent Company	(321,332)	12,122	(309,210)
Total comprehensive loss for the period	(103,018)	12,122	(90,896)
Attributable to:			
Shareholders of the Parent Company	(318,751)	12,122	(306,629)
Basic and diluted loss per share (fils)	(1.95)	0.08	(1.87)

For further details on transitional adjustment of application of IFRS 16 requirements, please refer to the disclosures and notes to the consolidated financial statements for the year ended 31 December 2019.