

**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 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 nine month period ended 30 September 2020

| Contents | Pages |
|---|--------------|
| Report on Review of the Interim Condensed Consolidated Financial Information | 1 - 2 |
| Interim Condensed Consolidated Statement of Financial Position (Unaudited) | 3 |
| Interim Condensed Consolidated Statement of Income (Unaudited) | 4 |
| Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited) | 5 |
| Interim Condensed Consolidated Statement of Changes in Equity (Unaudited) | 6 |
| Interim Condensed Consolidated Statement of Cash Flows (Unaudited) | 7 |
| Notes to the Interim Condensed Consolidated Financial Information (Unaudited) | 8 - 25 |

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

Independent auditor's review report to the board of directors

Report on Review of the 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 of 30 September 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity, 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 Standards 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 has investment in associate (Health Assurance Hospitals Company K.P.S.C. ("Dhaman") or the "associate")) included at amount of KD 66,772,099 as at 30 September 2020. During the current period, the Group has lost its representation in the Board of Directors in the associate (equity accounted investees), and also through the practice of one the Group's creditors the assignment of right issued in their favor (Note 16). The Group's management believes that it still has the right to exercise 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 were unable to obtain sufficient and appropriate evidence to satisfy ourselves to support the management's assessment regarding the existence of significant influence over the associate. Consequently, we were unable to determine whether there are adjustments to the carrying value of the investment in the associate as at 30 September 2020, which may be necessary, and scope of its effect on the interim condensed consolidated financial information.

Qualified conclusion

Based on our review, except for the matter mentioned in "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" ("IAS").



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

Independent auditor's Review Report to the Board of Directors (Continued)

Emphasis of a matter

We draw attention to Note 16, to the interim condensed consolidated financial information which describes the legal position in the major legal cases of the Group as at 30 September 2020. Our conclusion is not qualified in respect to this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, except for the matter mentioned in "Basis for Qualified Conclusion" paragraph, the interim condensed consolidated financial information is in agreement with the books of account 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, its Executive Regulations, as amended, or of Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and Organisation of Security Activity and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine month period ended 30 September 2020 that might have had a material effect on the business or the consolidated financial position of the Group.

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

Kuwait: 17 November 2020

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 2020

| | 30 September 2020 | (Audited) 31 December 2019 | (Restated) 30 September 2019 |
|---|----------------------|----------------------------------|------------------------------------|
| Notes | KD | KD | KD |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 29,151,170 | 30,508,735 | 24,870,627 |
| Investment in associates | 66,772,099 | 67,569,514 | 67,978,002 |
| Financial assets at fair value through other comprehensive income | 5,561,621 | 5,837,353 | 5,837,353 |
| | <u>101,484,890</u> | <u>103,915,602</u> | <u>98,685,982</u> |
| Current assets | | | |
| Inventories | 54,594,066 | 53,313,184 | 53,463,800 |
| Contract assets | 2,606,371 | 4,283,163 | 2,606,371 |
| Contract receivables | 4 75,668,743 | 67,407,752 | 67,134,931 |
| Trade receivables and other debit balances | 31,795,956 | 37,223,193 | 33,280,400 |
| Due from related parties | 5 5,693,726 | 4,583,449 | 3,647,141 |
| Financial assets at fair value through profit or loss | 3,820 | 4,943 | 4,251 |
| Cash and cash equivalents | 1,058,270 | 1,470,746 | 1,806,239 |
| | <u>171,420,952</u> | <u>168,286,430</u> | <u>161,943,133</u> |
| Total assets | <u>272,905,842</u> | <u>272,202,032</u> | <u>260,629,115</u> |
| Equity and liabilities | | | |
| Equity | | | |
| 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 | 150,793 | 108,446 | 118,038 |
| Fair value reserve from financial assets at fair value through other comprehensive income | 37,373 | 313,105 | 313,105 |
| Accumulated losses | (7,332,202) | (3,314,147) | (2,392,161) |
| Equity attributable to shareholders of the Parent Company | <u>26,318,511</u> | <u>30,569,951</u> | <u>24,851,685</u> |
| Non-controlling interests | 8,054,350 | 8,485,740 | 8,344,968 |
| Total equity | <u>34,372,861</u> | <u>39,055,691</u> | <u>33,196,653</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Provision for employees' end of service indemnity | 6,236,931 | 5,891,073 | 5,699,148 |
| Term loans | 7 86,238,747 | 84,505,703 | 75,427,842 |
| Lease Liabilities | 394,095 | 428,584 | 440,706 |
| | <u>92,869,773</u> | <u>90,825,360</u> | <u>81,567,696</u> |
| Current liabilities | | | |
| Term loans | 7 44,546,109 | 40,846,551 | 39,504,861 |
| Lease Liabilities | 46,070 | 46,070 | 46,070 |
| Due to banks | 10,384,200 | 10,202,907 | 9,674,931 |
| Notes payable | 28,558,861 | 30,916,687 | 37,947,377 |
| Finance lease obligations | 203,606 | 262,754 | 247,183 |
| Contract liabilities | - | 1,459,031 | 2,229,848 |
| Trade and other payables | 44,582,926 | 43,039,237 | 40,192,420 |
| Due to related parties | 5 17,341,436 | 15,547,744 | 16,022,076 |
| Total current liabilities | <u>145,663,208</u> | <u>142,320,981</u> | <u>145,864,766</u> |
| Total liabilities | <u>238,532,981</u> | <u>233,146,341</u> | <u>227,432,462</u> |
| Total liabilities and equity | <u>272,905,842</u> | <u>272,202,032</u> | <u>260,629,115</u> |

The accompanying notes on pages 8 to 25 form an integral part of this 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 nine month period ended 30 September 2020

| | Notes | For the three month period ended 30 September | | For the nine month period ended 30 September | |
|---|-------|---|--------------------|--|--------------------|
| | | 2020 | (Restated) 2019 | 2020 | (Restated) 2019 |
| | | KD | KD | KD | KD |
| Revenue from contracts with customers | 8 | 17,702,968 | 23,558,789 | 52,621,382 | 74,477,709 |
| Cost of revenue | | (12,896,301) | (18,008,003) | (40,425,472) | (56,119,057) |
| Gross profit | | <u>4,806,667</u> | <u>5,550,786</u> | <u>12,195,910</u> | <u>18,358,652</u> |
| Other operating income | 8 | 113,841 | 197,405 | 285,974 | 464,468 |
| General and administrative expenses | | (3,131,845) | (3,451,167) | (7,977,163) | (9,701,134) |
| Provision for obsolete and slow moving inventories | | (78,747) | (57,762) | (236,628) | (193,803) |
| Provision for expected credit losses | | (1,330,703) | (100,095) | (2,475,375) | (302,775) |
| Operating profit | | <u>379,213</u> | <u>2,139,167</u> | <u>1,792,718</u> | <u>8,625,408</u> |
| Gain on disposal of property, plant and equipment | | 6,600 | 8,717 | 6,600 | 16,198 |
| Share of results of investment in associates | | (401,787) | (246,642) | (797,415) | (733,610) |
| Unrealised (loss)/profit on financial assets at fair value through profit or loss | | (176) | 183 | (1,123) | 17 |
| Other income | 8 | 92,714 | 37,970 | 388,026 | 262,989 |
| Compensation profit from legal claims | 9 | 1,124,614 | - | 1,124,614 | - |
| Finance costs | | (2,857,212) | (2,698,997) | (6,962,593) | (7,986,195) |
| (Loss)/profit for the period before NLST | | <u>(1,656,034)</u> | <u>(759,602)</u> | <u>(4,449,173)</u> | <u>184,807</u> |
| National Labour Support Tax | | - | 12,456 | - | (9,297) |
| (Loss)/profit for the period | | <u>(1,656,034)</u> | <u>(747,146)</u> | <u>(4,449,173)</u> | <u>175,510</u> |
| Attributable to: | | | | | |
| The Parent Company's shareholders | | (1,416,264) | (851,237) | (4,018,055) | (719,882) |
| Non-controlling interests | | (239,770) | 104,091 | (431,118) | 895,392 |
| | | <u>(1,656,034)</u> | <u>(747,146)</u> | <u>(4,449,173)</u> | <u>175,510</u> |
| Basic and diluted loss per share attributable to shareholders of the Parent Company (fils) | 11 | <u>(8.58)</u> | <u>(5.16)</u> | <u>(24.35)</u> | <u>(4.36)</u> |

The accompanying notes on pages 8 to 25 form an integral part of this 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 2020

| | For the three month period ended 30 September | | For the nine month period ended 30 September | |
|--|---|--------------------|--|--------------------|
| | 2020 | (Restated) 2019 | 2020 | (Restated) 2019 |
| | KD | KD | KD | KD |
| (Loss)/profit for the period | (1,656,034) | (747,146) | (4,449,173) | 175,510 |
| Other comprehensive (loss)/income: | | | | |
| <i>Items that may be reclassified subsequently in the interim condensed consolidated statement of income:</i> | | | | |
| Change in foreign currency translation | (16,762) | 16,279 | 42,075 | 7,909 |
| <i>Items that will not be reclassified subsequently in the interim condensed consolidated statement of income:</i> | | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income | - | - | (275,732) | - |
| Total other comprehensive (loss)/income for the period | <u>(16,762)</u> | <u>16,279</u> | <u>(233,657)</u> | <u>7,909</u> |
| Total comprehensive (loss)/income for the period | <u>(1,672,796)</u> | <u>(730,867)</u> | <u>(4,682,830)</u> | <u>183,419</u> |
| Attributable to: | | | | |
| The Parent Company's shareholders | (1,434,056) | (840,238) | (4,251,440) | (716,899) |
| Non-controlling interests | <u>(238,740)</u> | <u>109,371</u> | <u>(431,390)</u> | <u>900,318</u> |
| | <u>(1,672,796)</u> | <u>(730,867)</u> | <u>(4,682,830)</u> | <u>183,419</u> |

The accompanying notes on pages 8 to 25 form an integral part of this 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 2020

| | Equity attributable to shareholders of the Parent Company | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------|-----------------|--------|-------------------|---------|-------------------|---------|---------------------|-------------|--------------------------------------|-----------|---|----|--------------------|----|-------|----|---------------------------|----|--------------|----|--|
| | Share premium | | Treasury shares | | 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 | 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 originally stated") | - | - | - | - | - | - | - | - | - | (756,248) | (756,248) | 895,392 | 139,144 | | | | | | | | | | |
| Effect of restatement from application of IFRS 16 (Note 17) | - | - | - | - | - | - | - | - | - | 36,366 | 36,366 | - | 36,366 | | | | | | | | | | |
| (Loss)/profit for the period ("restated") | - | - | - | - | - | - | - | - | - | (719,882) | (719,882) | 895,392 | 175,510 | | | | | | | | | | |
| Total other comprehensive income for the period | - | - | - | - | - | - | - | 2,983 | - | - | - | 2,983 | 4,926 | | | | | | | | | | |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | - | - | 2,983 | - | (719,882) | (716,899) | 900,318 | 183,419 | | | | | | | | | | |
| Balance at 30 September 2019 ("restated") | 17,296,224 | 7,877,292 | (1,480,519) | 17,230 | 554,248 | 324,297 | 2,223,931 | 118,038 | 313,105 | (2,392,161) | 24,851,685 | 8,344,968 | 33,196,653 | | | | | | | | | | |
| 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 for the period | - | - | - | - | - | - | - | - | - | (4,018,055) | (4,018,055) | (431,118) | (4,449,173) | | | | | | | | | | |
| Total other comprehensive income/(loss) for the period | - | - | - | - | - | - | - | 42,347 | (275,732) | - | (233,385) | (272) | (233,657) | | | | | | | | | | |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | - | - | 42,347 | (275,732) | (4,018,055) | (4,251,440) | (431,390) | (4,682,830) | | | | | | | | | | |
| Balance at 30 September 2020 | 17,296,224 | 7,877,292 | (1,480,519) | 17,230 | 554,248 | 324,297 | 8,873,775 | 150,793 | 37,373 | (7,332,202) | 26,318,511 | 8,054,350 | 34,372,861 | | | | | | | | | | |

The accompanying notes on pages 8 to 25 form an integral part of this 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 2020

| | For the nine month period ended 30 September | |
|--|---|----------------------------|
| | 2020 | (Restated) 2019 |
| | KD | KD |
| Cash flows generated from operating activities | | |
| (Loss)/profit for the period | (4,449,173) | 175,510 |
| <i>Adjustments:</i> | | |
| Depreciation | 1,803,096 | 2,197,007 |
| Gain on disposal of property, plant and equipment | (6,600) | (16,198) |
| Share of results of investment in associates | 797,415 | 733,610 |
| Unrealised loss on financial assets at fair value through profit or loss | 1,123 | (17) |
| Provision for obsolete and slow moving inventories | 236,628 | 193,803 |
| Provision for expected credit losses | 2,475,375 | 302,775 |
| Provision for employees' end of service indemnity | 736,533 | 814,092 |
| Finance costs | 6,962,593 | 7,986,195 |
| | <u>8,556,990</u> | <u>12,386,777</u> |
| <i>Changes in operating assets and liabilities:</i> | | |
| Inventories | (1,517,510) | (3,366,656) |
| Contract receivables | (8,670,177) | (9,105,525) |
| Trade receivables and other debit balances | 5,037,840 | (4,632,140) |
| Due from related parties | (1,110,277) | (810,195) |
| Contract liabilities | (1,459,031) | 881,175 |
| Trade and other payables | 1,428,769 | 1,725,084 |
| Due to related parties | 1,599,874 | 1,531,281 |
| Cash generated from/(used in) operations | <u>3,866,478</u> | <u>(1,390,199)</u> |
| Employees end of service benefits paid | <u>(390,675)</u> | <u>(191,839)</u> |
| Net cash from /(used in) operating activities | <u>3,475,803</u> | <u>(1,582,038)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (445,531) | (837,591) |
| Proceeds on disposal of property, plant and equipment | 6,600 | 117,762 |
| Purchase of financial assets at fair value through other comprehensive income | - | (72,000) |
| Net cash used in investment activities | <u>(438,931)</u> | <u>(791,829)</u> |
| Cash flows from financing activities | | |
| Proceeds from term loans | 9,380,795 | 35,335,819 |
| Repayment of term loans | (3,948,193) | (26,795,858) |
| Repayment of lease liabilities | (34,489) | (36,366) |
| Net movement of due to banks | 181,293 | (1,299,279) |
| Net movement of notes payable | (2,357,826) | 4,612,679 |
| Net movement of finance lease liabilities | (59,148) | (507,555) |
| Finance costs paid | (6,653,855) | (7,986,195) |
| Net cash (used in)/from financing activities | <u>(3,491,423)</u> | <u>3,323,245</u> |
| Net (decrease)/increase in cash and cash equivalents | (454,551) | 949,378 |
| Adjustments to foreign currency translation | 42,075 | 7,909 |
| Cash and cash equivalents at beginning of the period | <u>1,470,746</u> | <u>848,952</u> |
| Cash and cash equivalents at end of the period | <u>1,058,270</u> | <u>1,806,239</u> |
| Non-cash transactions | | |
| Purchase of financial assets at fair value through other comprehensive income through accounts payable | - | (26,322) |

The accompanying notes on pages 8 to 25 form an integral part of this 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 2020

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 Bursa - Kuwait

The registered address 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 shareholding companies and participating in the establishment of such Companies.
- Participation in the management of the 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 interim condensed consolidated financial information include the interim condensed consolidated financial information of the Parent Company and its subsidiaries (together referred to as "the Group").

The interim condensed consolidated financial information for the nine month period ended 30 September 2020 was authorized for issue by the board of directors of the Parent Company on 17 November 2020.

2. Basis of preparation

These interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting". Accordingly, it should be read in conjunction with the latest annual consolidated financial statements of the Group for the year ended 31 December 2019 ("the last annual consolidated financial statements").

The interim condensed consolidated financial information does not include all the information required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). 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. Operating results for the nine month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

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 2020

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 its impact on the economic activity. The Group actively monitors the impact of COVID-19 and adopt cost control measures to mitigate against the potential future impact of weaker demand for 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 Group 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 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 June 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 that 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 statements.

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.

**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 2020

2. Basis of preparation (Continued)

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. Details of such amendments are as follows:

Changes in significant accounting policies (continued)

- Amendments to IFRS 3: Definition of a Business.
- Amendments to IFRS 7, IFRS 9, 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 nine months ended 30 September 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

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.

- *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 30 September 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 30 September 2020 would be based on valuation models that have unobservable inputs, given the significant market turmoil and price volatility on the global financial markets that has arisen as a result of COVID-19 outbreak. Based on management's assessment, the Group has identified an

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the nine month period ended 30 September 2020

impact on the fair values of financial assets at fair value through other comprehensive income (“FVOCI”) amounted to KD 275,732 as at 30 September 2020.

2. Basis of preparation (Continued)

Valuation of unquoted equity securities (continued)

The Group is closely monitoring whether the fair values of the unquoted equity securities represent the price that would be achieved for transactions between market participants in the current scenario, however, the valuation determinations of these unquoted equity securities are subject to additional estimation uncertainty as the markets remain volatile. Hence, the recorded amount of changes in fair value of financial assets at FVOCI of KD 275,732 remains sensitive to market fluctuations.

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

Provision for obsolete and slow moving inventories

The inventories provision has 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 inventory provision requires judgement, and are 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 236,628 and has been accounted for in this interim condensed consolidated financial information for the period ended 30 September 2020 against the inventories held at the interim condensed consolidated statement of financial position 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.

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 2,085,978 and KD 389,397 respectively, has been accounted for in this interim condensed consolidated financial information for the period ended 30 September 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

These interim condensed consolidated financial information for the nine month period ended 30 September 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

**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 2020

intra-Group transactions, are eliminated in preparing these interim condensed consolidated financial information.

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) | | | | |
| | 30 September 2020 | 31 December 2019 | 30 September 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 Information |
| Daleel International Company W.L.L. (**) | 100 | 100 | 100 | State of Kuwait | Technology Services Information |
| Key BS JLT W.L.L. (**) | 100 | 100 | 100 | United Arab Emirates | Technology Services |

The Group's share in subsidiaries has been recorded based on interim condensed financial information prepared by the management as at 30 September 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.

(*) 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) | | | | |
| | 30 September 2020 | 31 December 2019 | 30 September 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 |

**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 2020

| | | | | | |
|------------------------------------|----|----|----|----------------------|---------------------------------|
| Warba Mechanical Equipments L.L.C. | 70 | 70 | 70 | United Arab Emirates | General Trading and Contracting |
|------------------------------------|----|----|----|----------------------|---------------------------------|

3. Basis of consolidation (Continued)

(**) 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 2020 has been recognised based on their management accounts.

4. Contract receivables

| | 30 September 2020 | (Audited) 31 December 2019 | 30 September 2019 |
|------------------------|------------------------------|---|------------------------------|
| | KD | KD | KD |
| Contract receivables | 87,595,161 | 77,248,192 | 75,710,580 |
| Provision for ECLs (*) | (11,926,418) | (9,840,440) | (8,575,649) |
| | <u>75,668,743</u> | <u>67,407,752</u> | <u>67,134,931</u> |

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

| | 30 September 2020 | (Audited) 31 December 2019 | 30 September 2019 |
|-------------------------------|------------------------------|---|------------------------------|
| | KD | KD | KD |
| Balance at 1 January | 9,840,440 | 8,575,649 | 8,575,649 |
| Charge during the period/year | 2,085,978 | 1,264,791 | - |
| | <u>11,926,418</u> | <u>9,840,440</u> | <u>8,575,649</u> |

5. Related party disclosure

Related parties represent major shareholders, directors and key management personnel, Board members of the Group and entities controlled or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Group management. Significant related party balances and transactions are as follows:

| | 30 September 2020 | (Audited) 31 December 2019 | 30 September 2019 |
|--|------------------------------|---|------------------------------|
| | KD | KD | KD |
| <i>Interim condensed consolidated statement of financial position:</i> | | | |
| Contract receivables | 565,000 | 565,000 | - |
| Due from related parties | 5,693,726 | 4,583,449 | 3,647,141 |
| Due to related parties | 17,341,436 | 15,547,744 | 16,022,076 |

Amounts due from the related parties are non-interest bearing and are receivables on demand.

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 2020

The amounts due to related parties are non-interest bearing and are payable on demand, except due to shareholders amounting to KD 6,641,823 (31 December 2019: KD 6,633,106 and 30 September 2019: KD 6,615,207) (included in due to related parties) which carries an interest rate of 6.5% (31 December 2019: 6.5% and 30 September 2019: 6.5%) per annum.

5. Related party disclosure (Continued)

Remuneration of key management personnel of the Parent Company:

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

| | <u>30 September 2020</u> | <u>30 September 2019</u> |
|----------------------------------|------------------------------|------------------------------|
| | KD | KD |
| Salaries and short-term benefits | 230,250 | 216,250 |
| End of Service indemnity | <u>25,904</u> | <u>25,704</u> |

| | <u>30 September 2020</u> | <u>30 September 2019</u> |
|--|------------------------------|------------------------------|
| | KD | KD |
| <i>Interim condensed consolidated statement of income:</i> | | |
| Finance costs | <u>308,738</u> | <u>291,698</u> |

6. Treasury shares

| | <u>30 September 2020</u> | <u>(Audited) 31 December 2019</u> | <u>30 September 2019</u> |
|---------------------------|------------------------------|---|------------------------------|
| 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 | 720,194 |
| Cost (KD) | 1,480,519 | 1,480,519 | 1,480,519 |

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 30 September 2019: from 2.5% to 4%) over the Central Bank of Kuwait discount rate. During the period, certain loans were extended and renewed and settlement of accrued interests was delayed.

Collaterals

Terms loans are secured against the following:

- 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.
- Mortgage of the Group's properties.

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 2020

- Promise to mortgage 13% of ownership of investment in the associate, which represents half of the ownership.
- 13% of ownership of investment in the associate, which represents half of the ownership.
- Financial assets at fair value through other comprehensive income.

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 2020

7. Term loans (Continued)

The Parent Company's management is currently in negotiation with the banks to settle of certain default installments amounted to KD 4,500,000 (including accrued finance cost) which were due on the period ended 30 September 2020.

The maturity profile of term loans is as follows:

| | 30 September 2020 | (Audited) 31 December 2019 | 30 September 2019 |
|---------------------|------------------------------------|---|------------------------------------|
| | KD | KD | KD |
| Non-current portion | 86,238,747 | 84,505,703 | 75,427,842 |
| Current portion | 44,546,109 | 40,846,551 | 39,504,861 |
| | <u>130,784,856</u> | <u>125,352,254</u> | <u>114,932,703</u> |

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the nine month period ended 30 September 2020

8. Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

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

| Segments | For the three month period ended 30 September 2020 | | | | | For the three month period ended 30 September 2019 | | | | |
|---|--|--------------|----------------|-------------|-------------|--|--------------|----------------|-------------|-------------|
| | Oil and gas services KD | Retail KD | Subtotal KD | Other KD | Total KD | Oil and gas services KD | Retail KD | Subtotal KD | Other KD | Total KD |
| <i>Type of Revenues</i> | | | | | | | | | | |
| Services and maintenance | 6,405,710 | - | 6,405,710 | - | 6,405,710 | 4,225,225 | - | 4,225,225 | - | 4,225,225 |
| Constructions | 1,646,215 | - | 1,646,215 | - | 1,646,215 | 3,805,404 | - | 3,805,404 | - | 3,805,404 |
| Manpower supply | 500,273 | - | 500,273 | - | 500,273 | 544,576 | - | 544,576 | - | 544,576 |
| Sale of goods | - | 9,150,770 | 9,150,770 | - | 9,150,770 | - | 14,983,584 | 14,983,584 | - | 14,983,584 |
| Other operating income | - | - | - | 113,841 | 113,841 | - | - | - | 197,405 | 197,405 |
| Other income | 8,552,198 | 9,150,770 | 17,702,968 | 206,555 | 17,909,523 | 8,575,205 | 14,983,584 | 23,558,789 | 235,375 | 23,794,164 |
| <i>Type of customer</i> | | | | | | | | | | |
| Government | 8,451,625 | 567,928 | 9,019,553 | - | 9,019,553 | 7,908,933 | 503,221 | 8,412,154 | - | 8,412,154 |
| Non-government | 100,573 | 8,582,842 | 8,683,415 | 206,555 | 8,889,970 | 666,272 | 14,480,363 | 15,146,635 | 235,375 | 15,382,010 |
| | 8,552,198 | 9,150,770 | 17,702,968 | 206,555 | 17,909,523 | 8,575,205 | 14,983,584 | 23,558,789 | 235,375 | 23,794,164 |
| <i>Primary geographical markets</i> | | | | | | | | | | |
| State of Kuwait | 8,552,198 | 6,729,572 | 15,281,770 | 206,555 | 15,488,325 | 8,575,205 | 13,937,335 | 22,512,540 | 235,375 | 22,747,915 |
| Gulf Cooperation Council Countries | - | 2,421,198 | 2,421,198 | - | 2,421,198 | - | 1,046,249 | 1,046,249 | - | 1,046,249 |
| | 8,552,198 | 9,150,770 | 17,702,968 | 206,555 | 17,909,523 | 8,575,205 | 14,983,584 | 23,558,789 | 235,375 | 23,794,164 |
| <i>Timing of revenues recognition</i> | | | | | | | | | | |
| Services/goods transferred at a point in time | - | 9,150,770 | 9,150,770 | 206,555 | 9,357,325 | 8,030,629 | - | 8,030,629 | 235,375 | 8,266,004 |
| Services transferred over time | 8,552,198 | - | 8,552,198 | - | 8,552,198 | 544,576 | 14,983,584 | 15,528,160 | - | 15,528,160 |
| | 8,552,198 | 9,150,770 | 17,702,968 | 206,555 | 17,909,523 | 8,575,205 | 14,983,584 | 23,558,789 | 235,375 | 23,794,164 |

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 2020

8. Revenue from contracts with customers (Continued)

Disaggregation of revenue from contracts with customers (continued)

| Segments | For the nine month period ended 30 September 2020 | | | | | For the nine month period ended 30 September 2019 | | | | |
|---|---|-------------------|-------------------|----------------|-------------------|---|-------------------|-------------------|----------------|-------------------|
| | Oil and gas services KD | Retail KD | Subtotal KD | Other KD | Total KD | Oil and gas services KD | Retail KD | Subtotal KD | Other KD | Total KD |
| <i>Type of Revenues</i> | | | | | | | | | | |
| Services and maintenance | 14,214,696 | - | 14,214,696 | - | 14,214,696 | 23,041,440 | - | 23,041,440 | - | 23,041,440 |
| Constructions | 9,749,829 | - | 9,749,829 | - | 9,749,829 | 9,990,327 | - | 9,990,327 | - | 9,990,327 |
| Manpower supply | 2,215,760 | - | 2,215,760 | - | 2,215,760 | 2,662,898 | - | 2,662,898 | - | 2,662,898 |
| Sale of goods | - | 26,441,097 | 26,441,097 | - | 26,441,097 | - | 38,783,044 | 38,783,044 | - | 38,783,044 |
| Other operating income | - | - | - | 285,974 | 285,974 | - | - | - | 464,468 | 464,468 |
| Other income | - | - | - | 388,026 | 388,026 | - | - | - | 262,989 | 262,989 |
| | <u>26,180,285</u> | <u>26,441,097</u> | <u>52,621,382</u> | <u>674,000</u> | <u>53,295,382</u> | <u>35,694,665</u> | <u>38,783,044</u> | <u>74,477,709</u> | <u>727,457</u> | <u>75,205,166</u> |
| <i>Type of customer</i> | | | | | | | | | | |
| Government | 26,001,573 | 567,928 | 26,569,501 | - | 26,569,501 | 32,316,447 | 503,221 | 32,819,668 | - | 32,819,668 |
| Non-government | 178,712 | 25,873,169 | 26,051,881 | 674,000 | 26,725,881 | 3,378,218 | 38,279,823 | 41,658,041 | 727,457 | 42,385,498 |
| | <u>26,180,285</u> | <u>26,441,097</u> | <u>52,621,382</u> | <u>674,000</u> | <u>53,295,382</u> | <u>35,694,665</u> | <u>38,783,044</u> | <u>74,477,709</u> | <u>727,457</u> | <u>75,205,166</u> |
| <i>Primary geographical markets</i> | | | | | | | | | | |
| State of Kuwait | 26,180,285 | 22,536,643 | 48,716,928 | 674,000 | 49,390,928 | 35,694,665 | 30,670,826 | 66,365,491 | 727,457 | 67,092,948 |
| Gulf Cooperation Council Countries | - | 3,904,454 | 3,904,454 | - | 3,904,454 | - | 8,112,218 | 8,112,218 | - | 8,112,218 |
| | <u>26,180,285</u> | <u>26,441,097</u> | <u>52,621,382</u> | <u>674,000</u> | <u>53,295,382</u> | <u>35,694,665</u> | <u>38,783,044</u> | <u>74,477,709</u> | <u>727,457</u> | <u>75,205,166</u> |
| <i>Timing of revenues recognition</i> | | | | | | | | | | |
| Services/goods transferred at a point in time | - | 26,441,097 | 26,441,097 | 674,000 | 27,115,097 | 33,031,767 | - | 33,031,767 | 727,457 | 33,759,224 |
| Services transferred over time | 26,180,285 | - | 26,180,285 | - | 26,180,285 | 2,662,898 | 38,783,044 | 41,445,942 | - | 41,445,942 |
| | <u>26,180,285</u> | <u>26,441,097</u> | <u>52,621,382</u> | <u>674,000</u> | <u>53,295,382</u> | <u>35,694,665</u> | <u>38,783,044</u> | <u>74,477,709</u> | <u>727,457</u> | <u>75,205,166</u> |

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 2020

9. Compensation profit from legal claims

On 24 January 2017, Arabi Engineering & Mechanical Works Company W.L.L (the “Plaintiff” or the “Subsidiary”) filed a legal claim before “the Court of First Instance” against Al-Essa Medical and Scientific Equipment Company W.L.L. (“the Defendant”) under No. 2017/504 to cancel the plot (50) sale contract (the “Plot”) dated 11 September 1999 due to failure of the Defendant to pay the agreed upon price and to appoint experts committee for estimating the losses incurred by the Plaintiff during the period equal to the previous rent value since 11 September 1999.

On 16 July 2020, the Court of Cassation rendered a judgment upholding the appeal judgment issued on 6 February 2019 cancelling the sale contract executed between the Plaintiff and Defendant, and it ordered the Defendant to evict and handover the plot to the Plaintiff free of any occupations. The court ordered the Defendant to pay the Plaintiff an amount of KD 906,166 for using the plot and an amount of KD 7,000 monthly as a rent value as of March 2018 until the evacuation date. Further, it ordered the Defendant to pay the expenses of KD 20 as attorney’s fee and confiscating the bail. This resulted in a profit of KD 1,124,614, which was received during the current period.

10. Basic and diluted loss per share

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

| | For the three month period ended 30 September | | For the nine month period ended 30 September | |
|--|--|--------------------|---|--------------------|
| | 2020 | (Restated) 2019 | 2020 | (Restated) 2019 |
| Loss for the period attributable to shareholders of the Parent Company (KD) | <u>(1,416,264)</u> | <u>(851,237)</u> | <u>(4,018,055)</u> | <u>(719,882)</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 loss per share (fils) | <u>(8.58)</u> | <u>(5.16)</u> | <u>(24.35)</u> | <u>(4.36)</u> |

The Parent Company had no outstanding dilutive shares.

11. 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.

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 2020

12. 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:

| | 30 September 2020 | (Audited) 31 December 2019 | 30 September 2019 |
|--|------------------------------|---|------------------------------|
| | KD | KD | KD |
| <i>Capital commitments</i> | | | |
| Capital expenditures contracted related to property, plant and equipment | - | 193,455 | - |
| | <u>-</u> | <u>193,455</u> | <u>-</u> |
| <i>Contingent liabilities</i> | | | |
| Investment in an associate | 29,990,000 | 29,990,000 | 29,990,000 |
| Letters of credit | 3,971,482 | 3,015,879 | 3,363,532 |
| Letters of guarantee (a) | 84,292,584 | 74,197,159 | 78,180,998 |
| Letters of acceptance | 649,015 | 1,106,216 | 505,490 |
| Certified cheques | 197,921 | - | - |
| | <u>119,101,002</u> | <u>108,309,254</u> | <u>112,040,020</u> |

- (a) During the period, letters of guarantee of KD 893,490 issued by the Group related to existing contracts for supply of goods to projects of Health Assurance Hospitals Company (the "associate"), were liquidated resulting in losses which are included in cost of revenues in the interim condensed consolidated statement of income. The Group is in the process of taking legal actions to recover the amounts of letters of guarantees that have been liquidated.

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 2020

13. 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
- Constructions

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 | (Restated) | 30 September | (Restated) | 30 September | (Restated) | 30 September | (Restated) | 30 September | (Restated) |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | KD | KD | KD | KD | KD | KD | KD | KD | KD | KD |
| Segment revenues | 27,034,187 | 41,297,943 | 26,248,709 | 33,602,124 | 242 | 12,713 | 12,244 | 292,386 | 53,295,382 | 75,205,166 |
| Segment (loss)/profit | (1,564,605) | 3,300,137 | 714,755 | 772,324 | (3,649,610) | (3,773,086) | 50,287 | (123,865) | (4,449,173) | 175,510 |
| Segment assets | 144,523,335 | 133,883,029 | 44,688,932 | 31,387,203 | 70,773,710 | 81,993,814 | 12,919,865 | 13,365,069 | 272,905,842 | 260,629,115 |
| Segment liabilities | 133,301,917 | 121,907,607 | 26,229,620 | 28,936,807 | 78,519,867 | 76,104,808 | 481,577 | 483,240 | 238,532,981 | 227,432,462 |

14. 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.

15. Fair value measurement

The fair value represents 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:

- Sale and transfer 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 categorized 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.

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.

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 2020

15. 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 maximize 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 |
| 30 September 2020 | | | |
| <i>Financial assets at fair value through other comprehensive income</i> | | | |
| Unquoted securities | - | 5,561,621 | 5,561,621 |
| <i>Financial assets at fair value through profit or loss</i> | | | |
| Quoted securities | 3,820 | - | 3,820 |
| | <u>3,820</u> | <u>5,561,621</u> | <u>5,565,441</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 |
| 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> |

There have been no transfers among level 1, level 2 and level 3 during the period/year.

16. Legal claims

There are certain lawsuits raised by/against the Group, directly related to the associate (Health Assurance Hospitals Company K.P.S.C. ("Dhaman")) and one of the Group's creditors as mentioned below. Results of such lawsuits were valued till a final verdict is issued 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. Summary of the major legal cases is as follows:

Health Assurance Hospitals Company K.P.S.C. (Public) (the "Associate"):

Legal claims against the associate and other parties regarding the subscription to share capital of the associate and requesting the stay of the decision of calling up the remaining share capital of the associate, and the decision of removal of the Parent Company's Board Members from the associate Board. All such claims were joined into one claim which is still being deliberated by the Courts of Justice.

In the opinion of the Group's external legal counsel, it is more likely than not that these cases and the related judgments will be in favor of the Group.

Mashfa for Medical Services W.L.L ("Mashfa") (one of Group's creditors for the associate)

Legal claim filed by the Parent Company against Mashfa requesting a temporary compensation of KD 5,001 for using the assignment of right issued in favor of Mashfa, on the basis of issuance of final judgment in favor of the Parent Company which legally invalidates the lending of KD 21,000,000, which is included in trade and other payables in the interim condensed consolidated financial information. The Court of First Instance has issued a judgment in favor of Mashfa and the judgment was appealed before the Court of Appeal. Accordingly, legal claims filed by and against the Parent Company with Mashfa and other parties, for request a delegation of an expert to estimate the damage caused to the Parent Company as a result of the precautionary attachment made by Mashfa on the shares and funds of the Parent Company due to a certified cheque issued by the Parent Company in favor of Mashfa, as well as, a request to delegate an expert from Mashfa against the Parent Company and other parties. The legal cases are still being deliberated by the Courts of Justice.

In the opinion of the Group's external legal counsel, it is more likely than not that these cases and the related judgments will be in favor of the Group.

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 2020

17. Comparative figures

Certain comparative figures have been re-classified to conform to the current period's presentations. Such reclassification did not affect previously reported profits and equity. Accordingly, an additional third statement of the interim condensed consolidated financial position is not presented.

The relative comparative figures were restated for the interim period ended 30 September 2019 to reflect the transitional provisions stated in IFRS 16.

Retrospective application had an impact on the interim condensed consolidated statement of income that was previously stated and comparable for the three and nine month period ended 30 September 2019, and resulted in an increase in property, plant and equipment of KD 523,142 and lease liabilities of KD 523,142.

The following table summarizes the impact on the Group's interim condensed consolidated statement of income:

| | Effect of restatement | | | | | |
|---|---|--------------|--|--------------|------------------------|--------------|
| | Three months period ended 30 September 2019 | | Nine months period ended 30 September 2019 | | After restatement | |
| | As previously reported | Restatements | As previously reported | Restatements | As previously reported | Restatements |
| | KD | KD | KD | KD | KD | KD |
| General and administrative expenses | (3,463,927) | 12,760 | (3,451,167) | (9,739,410) | 38,276 | (9,701,134) |
| Finance costs | (2,698,359) | (638) | (2,698,997) | (7,984,285) | (1,910) | (7,986,195) |
| (Loss)/profit for the period | (759,268) | 12,122 | (747,146) | 139,144 | 36,366 | 175,510 |
| Attributable to: | | | | | | |
| The Parent Company's shareholders | (863,359) | 12,122 | (851,237) | (756,248) | 36,366 | (719,882) |
| Total comprehensive income for the period | (742,989) | 12,122 | (730,867) | 147,053 | 36,366 | 183,419 |
| Attributable to: | | | | | | |
| The Parent Company's shareholders | (852,360) | 12,122 | (840,238) | (753,265) | 36,366 | (716,899) |
| Basic and diluted loss per share (Fils) | (5.23) | 0.07 | (5.16) | (4.58) | 0.22 | (4.36) |

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.

18. Significant events

During the period, on 16 July 2020, a cassation judgment was issued in favor of the Group regarding a compensation for the plot (49), which will result in a profit upon execution of the judgment and collection of the due amount for the claim.