

**The Energy House Holding Company K.S.C.P.
And Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

31 MARCH 2017

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF THE ENERGY HOUSE HOLDING COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Energy House Holding Company K.S.C.P. ("the Company") and its subsidiaries (together "the Group"), as at 31 March 2017 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" ("IAS 34"). 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim 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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by other auditors whose report dated 8 February 2017 expressed an unqualified opinion on those consolidated financial statements.

Conclusion

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its executive regulation, or of the Company's Memorandum of Incorporation and Articles of Association during the three months period ended 31 March 2017 that might have had a material effect on the business of the Company or on its financial position.



WALEED A. AL OSAIMI

LICENCE NO. 68 A

EY

AL AIBAN, AL OSAIMI & PARTNERS


14 May 2017
Kuwait


Energy House Holding Company K.S.C.P. and subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 March 2017

		(Audited)	
	Notes	31 March 2017 KD	31 December 2016 KD
			31 March 2016 KD
ASSETS			
Non-current assets			
Property and equipment	5	7,279,492	10,163,626
Intangible assets and goodwill		-	16,380
Investment property		3,784,452	5,572,901
Investment in associates		1,779,060	2,450,743
Financial assets available for sale		14,350,632	26,261,185
Financial assets at fair value through profit or loss		7,781,667	8,129,208
Other assets		65,557	193,120
		<u>35,040,860</u>	<u>52,787,163</u>
Current assets			
Inventories		2,146,763	1,637,744
Accounts receivable and other assets		9,116,648	10,717,464
Bank balances, cash and wakala deposits	6	4,050,718	4,208,101
		<u>15,314,129</u>	<u>16,563,309</u>
TOTAL ASSETS		<u><u>50,354,989</u></u>	<u><u>69,350,472</u></u>
EQUITY			
Share capital		75,000,000	75,000,000
Share premium		193,550	193,550
Statutory reserve		472,723	472,723
Voluntary reserve		314,957	314,957
Other reserves		(812,986)	(812,986)
Foreign currency translation reserve		(717,675)	(837,126)
Fair value reserve		46,112	27,660
Accumulated losses		(41,612,834)	(20,197,666)
Equity attributable to shareholders of the Company		<u>32,883,847</u>	<u>54,161,112</u>
Non-controlling interests		3,949,152	5,019,810
TOTAL EQUITY		<u>36,832,999</u>	<u>59,180,922</u>
LIABILITIES			
Non-current liabilities			
Provision for staff indemnity		529,794	592,015
		<u>529,794</u>	<u>592,015</u>
Current liabilities			
Accounts payable and other liabilities		6,900,821	7,752,923
Murabaha payables	7	6,091,375	1,824,612
		<u>12,992,196</u>	<u>9,577,535</u>
Total liabilities		<u>13,521,990</u>	<u>10,169,550</u>
TOTAL EQUITY AND LIABILITIES		<u><u>50,354,989</u></u>	<u><u>69,350,472</u></u>


Ahmed Issa Al-Sumait
Chairman


Bader Khaled Al-Zamami
Vice Chairman

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months period ended 31 March	
		2017 KD	2016 KD
REVENUE			
Contract revenue		3,260,765	3,748,402
Rendering of services		1,224,849	881,497
		<u>4,485,614</u>	<u>4,629,899</u>
COST OF REVENUE			
Contract costs		(2,991,624)	(3,727,498)
Cost of rendering of services		(749,787)	(567,698)
		<u>(3,741,411)</u>	<u>(4,295,196)</u>
GROSS PROFIT		744,203	334,703
Other income		97,079	108,860
Unrealised (loss) gain on financial assets at fair value through profit or loss		(193,303)	1,451,945
Realised loss on financial assets at fair value through profit or loss		-	(3,640)
Rental income from investment property		44,764	21,861
Staff costs		(352,392)	(526,179)
General and administration expenses		(521,679)	(654,750)
Foreign exchange (loss) gain		(342,382)	463,831
Allowance for doubtful debts		(100,000)	-
OPERATING (LOSS) INCOME		(623,710)	1,196,631
Finance costs		(27,880)	(21,526)
Finance income		21,875	8,472
Share of results from associates		(22,881)	(18,094)
Monetary gain (loss) from hyperinflation	11	627,030	(107,845)
(LOSS) PROFIT FOR THE PERIOD BEFORE TAXATION		(25,566)	1,057,638
Taxation on foreign operations		(143,723)	(42,274)
(LOSS) PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		(169,289)	1,015,364
NLST		-	(27,577)
Zakat		-	(11,031)
NET (LOSS) PROFIT FOR THE PERIOD		<u>(169,289)</u>	<u>976,756</u>
Attributable to:			
Shareholders of the Company		(304,509)	956,632
Non-controlling interests		135,220	20,124
		<u>(169,289)</u>	<u>976,756</u>
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9	<u>(0.41) fils</u>	<u>1.28 fils</u>

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months period ended 31 March</i>	
	2017 KD	2016 KD
Net (loss) profit for the period	(169,289)	976,756
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to the interim condensed consolidated statement of profit or loss</i>		
Share of foreign currency translation reserve of associates	31,521	(16,638)
Exchange differences arising on translation of foreign operations	104,997	(322,431)
Change in fair value of financial assets available for sale	-	10,473
Total other comprehensive income (loss) for the period	136,518	(328,596)
Total comprehensive (loss) income for the period	(32,771)	648,160
Attributable to:		
Shareholders of the Company	(198,531)	690,959
Non-controlling interests	165,760	(42,799)
	(32,771)	648,160

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 31 March 2017

	<i>Three months period ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
<i>Notes</i>	KD	KD
OPERATING ACTIVITIES		
(Loss) profit for the period before taxation	(25,566)	1,057,638
Adjustments for:		
Rental income from investment property	(44,764)	(21,861)
Share of results of associates	22,881	18,094
Gain on disposal of property and equipment	8,768	(72,362)
Depreciation and amortization	291,541	340,134
Unrealised loss (gain) on financial assets at fair value through profit or loss	193,303	(1,451,945)
Realised loss on financial assets at fair value through profit or loss	-	3,640
Allowance for doubtful debts	100,000	-
Monetary (gain) loss from hyperinflation	(627,030)	107,845
Finance costs	27,880	21,526
Provision for staff indemnity	44,890	45,205
	(8,097)	47,914
Changes in operating assets and liabilities:		
Inventories	(1,200,391)	(45,927)
Accounts receivable and other assets	221,212	(193,024)
Accounts payable and other liabilities	(1,171,699)	(270,528)
Cash used in operations:	(2,158,975)	(461,565)
Provision for staff indemnity paid	(198,728)	(18,102)
Net cash flows used in operating activities	(2,357,703)	(479,667)
INVESTING ACTIVITIES		
Net movement in restricted bank balances and deposits	39,035	52,473
Purchase of property and equipment	(87,610)	(505,519)
Proceeds from disposal of property and equipment	197,658	123,352
Rental income received	44,764	21,861
Net cash flows from (used in) investing activities	193,847	(307,833)
FINANCING ACTIVITIES		
Finance costs paid	(17,499)	(12,737)
Net movement in Murabaha payables	(180,660)	257,506
Dividends paid by a subsidiary	-	(301,433)
Net cash flows used in financing activities	(198,159)	(56,664)
Effect of foreign currency translation and hyperinflation adjustment	1,135,150	(4,162)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,226,865)	(848,326)
Cash and cash equivalents at beginning of the period	3,066,044	2,662,996
CASH AND CASH EQUIVALENTS AT 31 MARCH	1,839,179	1,814,670

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Other reserves KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Equity attributable to shareholders of the Company KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2017 (audited)	75,000,000	193,550	472,723	314,957	(812,986)	(823,653)	46,112	(41,752,960)	32,637,743	3,535,988	36,173,731
Net (loss) profit for the period	-	-	-	-	-	-	-	(304,509)	(304,509)	135,220	(169,289)
Other comprehensive income for the period	-	-	-	-	-	105,978	-	-	105,978	30,540	136,518
Total comprehensive income (loss) for the period	-	-	-	-	-	105,978	-	(304,509)	(198,531)	165,760	(32,771)
Dividends paid by a subsidiary	-	-	-	-	-	-	-	-	-	-	-
Equity adjustments due to hyperinflation (note 11)	-	-	-	-	-	-	-	444,635	444,635	247,404	692,039
Balance at 31 March 2017 (unaudited)	75,000,000	193,550	472,723	314,957	(812,986)	(717,675)	46,112	(41,612,834)	32,883,847	3,949,152	36,832,999
Balance at 1 January 2016 (audited)	75,000,000	193,550	472,723	314,957	(812,986)	(564,724)	20,931	(21,204,371)	53,420,080	5,336,181	58,756,261
Net profit for the period	-	-	-	-	-	-	-	956,632	956,632	20,124	976,756
Other comprehensive (loss) income for the period	-	-	-	-	-	(272,402)	6,729	-	(265,673)	(62,923)	(328,596)
Total comprehensive income for the period	-	-	-	-	-	(272,402)	6,729	956,632	690,959	(42,799)	648,160
Dividends paid by a subsidiary	-	-	-	-	-	-	-	-	-	(301,433)	(301,433)
Equity adjustments due to hyperinflation (note 11)	-	-	-	-	-	-	-	50,073	50,073	27,861	77,934
Balance at 31 March 2016 (unaudited)	75,000,000	193,550	472,723	314,957	(812,986)	(837,126)	27,660	(20,197,666)	54,161,112	5,019,810	59,180,922

The attached notes 1 to 13 form part of the interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

1 INCORPORATION AND ACTIVITIES

This interim condensed consolidated financial information of The Energy House Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group") for the period ended 31 March 2017 were authorised for issue in accordance with a resolution of the board of directors of the Company on 14 May 2017.

The Company is a Kuwaiti shareholding company registered in the State of Kuwait under commercial registration no. 68770 dated 30 July 1996 and its shares are listed on the Kuwait Stock Exchange. The address of the Company's registered office is Arraya Tower 2, Sharq Area, 25th floor, Kuwait City and the postal address is P.O. Box 21909, Safat 13080, State of Kuwait.

The principal activities of the Company are as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or companies with limited liability, or establishing, managing, lending and sponsoring such companies;
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20%;
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such as rights for the benefit of the Company inside or outside the State of Kuwait;
- Owing portables and real-estates to promote its activities in permissible limits according to the law; and
- Utilizing available financial surplus of the Company by investing them in portfolios managed by specialized companies.

The Group carries out its activities as per Islamic Shari'ah.

The Company is a subsidiary of Development Enterprise Holding Company K.S.C. (Closed) ("DEH") ("the Parent Company"), which in turn is a subsidiary of Kuwait Finance House K.S.C.P. ("the Ultimate Parent Company"), a company whose shares are listed on the Kuwait Stock Exchange.

The Annual General Assembly of the Company held on 30 March 2017, approved the following:

- Consolidated financial statements of the Group for the year ended 31 December 2016;
- No dividends for the year ended 31 December 2016; and
- Proposed directors' remuneration of KD 25,000 for the year ended 31 December 2016.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2016.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars ("KD"), which is also the Company's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial information are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

(a) Sale of goods

Contracts with customers in which the sale of goods is generally expected to be the only performance obligation are not expected to have any impact on the Group's interim condensed consolidated statement of profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Equipment received from customers

When an entity receives, or expects to receive, non-cash consideration, IFRS 15 requires that the fair value of the non-cash consideration is included in the transaction price.

(c) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's consolidated financial statements. Many of the disclosure requirements in IFRS 15 are completely new.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

The Energy House Holding Company K.S.C.P. and subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (Continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the finance cost on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

4 JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions 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.

In preparing the condensed consolidated interim financial information, 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 that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

The Energy House Holding Company K.S.C.P. and subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

5 PROPERTY AND EQUIPMENT

Cost	Land KD	Buildings and leasehold properties KD	Furniture, fixtures and office equipment KD	Motor vehicles and equipment KD	Capital work-in progress KD	Total KD
At 1 January 2017	1,230,000	752,517	494,289	9,855,038	643,575	12,975,419
Additions	-	30,607	4,934	45,930	6,139	87,610
Disposals	-	-	(12,570)	(335,541)	-	(348,111)
Foreign currency adjustment	-	7,322	779	146,050	628	154,779
At 31 March 2017	1,230,000	790,446	487,432	9,711,477	650,342	12,869,697
Depreciation and impairment						
At 1 January 2017	-	389,647	424,750	8,531,041	-	9,345,438
Depreciation charge for the period	-	25,651	4,312	261,578	-	291,541
Disposals	-	-	-	(290,096)	-	(290,096)
Foreign currency adjustment	-	4,509	512	132,819	-	137,840
At 31 March 2017	-	419,807	429,574	8,635,342	-	9,484,723
Net carrying amount (Before adjustments of hyperinflation impact) At 31 March 2017	1,230,000	370,639	57,858	1,076,135	650,342	3,384,974
At 31 December 2016 (Audited)	1,230,000	362,870	69,539	1,323,997	643,575	3,629,981
At 31 March 2016	1,230,000	412,393	96,823	4,715,219	411,928	6,866,363

The Energy House Holding Company K.S.C.P. and subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

5 PROPERTY AND EQUIPMENT (continued)

	Land KD	Buildings and leasehold properties KD	Furniture, fixtures and office equipment KD	Motor vehicles and equipment KD	Capital work-in progress KD	Total KD
Carrying amounts:						
At 31 March 2017 (Before adjustments of hyperinflation impact)	1,230,000	370,639	57,858	1,076,135	650,342	3,384,974
Impact of hyperinflation (note 11)	-	814,319	58,482	2,413,329	149,306	3,435,436
Opening hyperinflation at 1 January 2017	-	920	228	3,197	-	4,345
Effect on depreciation	-	45,170	7,914	466,422	(64,770)	454,736
Change in carrying value	-	860,409	66,624	2,882,949	84,536	3,894,518
Hyperinflation at 31 March 2017						
Adjusted balance						
At 31 March 2017 (After adjustments of hyperinflation impact)	1,230,000	1,231,048	124,482	3,959,084	734,878	7,279,492
At 31 December 2016 (Audited)	1,230,000	1,177,189	128,021	3,737,326	792,881	7,065,417
At 31 March 2016	1,230,000	910,299	137,789	7,379,772	505,766	10,163,626

The Energy House Holding Company K.S.C.P. and subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

As at 31 March 2017

6 BANK BALANCES, CASH AND WAKALA DEPOSITS

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Bank balances and cash	2,158,040	3,423,940	2,304,519
Wakala deposits	1,892,678	1,892,678	1,903,582
Bank balances and cash and wakala deposits in the interim condensed consolidated statement of financial position	4,050,718	5,316,618	4,208,101
Restricted bank balances	(318,861)	(357,896)	(593,431)
Restricted wakala deposits of more than three months	(1,892,678)	(1,892,678)	(1,800,000)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	1,839,179	3,066,044	1,814,670

Wakala deposits with original maturity of more than three months include KD 1,892,678 (31 December 2016: KD 1,892,678 and 31 March 2016: KD 1,800,000) representing margin deposits held as a security against the letters of guarantee.

Restricted bank balances represent margin deposits that are held as security against letters of guarantee (note 12).

7 MURABAHA PAYABLES

The average cost rate attributable to murabaha payable during the period was 3.5% per annum (31 December 2016: 3.5% per annum and 31 March 2016: 3% per annum).

Murabaha facilities are unsecured. Included in Murabaha facilities an amount of KD 5,881,451 obtained from related parties (note 8).

8 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management or board of directors.

Significant transactions with related parties included in the interim condensed consolidated financial information are as follows:

<i>Interim condensed consolidated statement of financial position</i>	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
<i>The Ultimate Parent Company</i>			
Bank balances, cash and wakala deposits	2,101,242	2,865,658	518,715
Murabaha payables	986,992	1,185,218	372,635
<i>The Parent Company</i>			
Accounts payable and other liabilities	8,525	-	1,299
Murabaha payables	4,894,459	4,852,211	1,345,550
<i>Entities related to the shareholders</i>			
Accounts receivables and other assets	6,114	9,409	6,795
Accounts payable and other liabilities	16,819	12,216	270,697

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8 RELATED PARTY TRANSACTIONS (continued)

<i>Contingent liability</i>	<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>The Ultimate Parent Company</i>			
Letters of credit	1,063,297	1,063,297	
Letters of guarantee	4,817,334	4,817,334	3,254,226
Transactions included in the interim condensed consolidated statement of profit or loss			
	<i>Three months period ended</i>		
	<i>31 March</i>		
	<i>2017</i>	<i>2016</i>	
	<i>KD</i>	<i>KD</i>	
<i>The Ultimate Parent Company</i>			
Finance income		21,875	2,852
Murabaha finance cost		4,065	9,289
<i>The Parent Company</i>			
Murabaha finance cost		8,050	9,868
Compensation of key management personnel			
Short term benefits		161,064	151,220
Termination benefits		6,541	8,587
		<u>167,605</u>	<u>159,807</u>

During the three months ended 31 March 2017, the Group has entered into transactions with related parties on substantially the same terms as those with other parties on an arm's length basis.

9 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Basic and diluted (loss) / earnings per share attributable to shareholders of the Company is calculated as follows:

	<i>Three month period ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
(Loss) profit for the period attributable to shareholders of the Company (KD)	(304,509)	956,632
Weighted average number of outstanding shares	750,000,000	750,000,000
Basic and diluted (loss) earnings per share attributable to shareholders of the Company (fils)	<u>(0.41)</u>	<u>1.28</u>

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

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10 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, financial assets at fair value through profit or loss, accounts receivable and other assets, and bank balances, cash and wakala deposits. Financial liabilities consist of accounts payable and other liabilities and murabaha payables.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Total fair value KD</i>
31 March 2017			
Financial assets at fair value through profit or loss:			
Investment in an unquoted fund	-	7,781,667	7,781,667
Financial assets available for sale:			
Quoted equity securities	350,632	-	350,632
	<u>350,632</u>	<u>7,781,667</u>	<u>8,132,299</u>
31 December 2016			
Financial assets at fair value through profit or loss:			
Investment in an unquoted fund	-	7,964,538	7,964,538
Financial assets available for sale:			
Quoted equity securities	346,212	-	346,212
	<u>346,212</u>	<u>7,964,538</u>	<u>8,310,750</u>
31 March 2016			
Financial assets at fair value through profit or loss:			
Investment in an unquoted fund	-	8,129,208	8,129,208
Financial assets available for sale:			
Quoted equity securities	334,329	-	334,329
	<u>334,329</u>	<u>8,129,208</u>	<u>8,463,537</u>

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10 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

During the periods ended 31 March 2017, 31 December 2016 and 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

At the reporting date, financial assets available for sale with a carrying value of KD 14,000,000 (31 December 2016: KD 14,000,000 and 31 March 2016: KD 25,926,856) are carried at cost less impairment due to the non-availability of quoted market prices or other reliable measures of their fair value.

11 HYPERINFLATION ADJUSTMENT

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the statement of financial position date and that corresponding figures for previous periods be stated in the same terms to the latest statement of financial position date. This has been applied in Higleig, a subsidiary, and the restatement has been calculated by means of conversion factors derived from the Consumer Price Index (CPI) provided by The Central Bank of Sudan (CBS). The conversion factors used to restate the financial statements of the subsidiary are as follows:

	Index	Conversion Factor
31 March 2017	688.400	1.121
31 December 2016	617.400	1.101
31 December 2015	521.800	1.081
31 December 2014	428.300	1.151
31 December 2013	314.826	1.198
31 December 2012	262.793	1.444
31 December 2011	181.944	1.189
31 December 2010	153.043	1

The above mentioned restatement has been accounted for as follows:

- i. Financial statements prepared in the currency of a hyperinflationary economy are stated after applying the measuring unit current at the statement of financial position date and corresponding figures for the previous period are stated on the same basis. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held and items to be recovered or paid in money;
- ii. Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and components of shareholders' equity are restated by applying the relevant conversion factors;
- iii. Comparative financial statements are restated using general inflation indices in terms of the measuring unit current at the statement of financial position date. Investment property and available for sale investments are indexed based on recent fair valuations. The resulting adjustments are taken directly to the interim condensed consolidated statement of changes in equity;
- iv. All items in the income statement are restated by applying the relevant quarterly average or year-end conversion factors; and
- v. The effect on the net monetary position of the Group is included in the interim condensed consolidated statement of profit or loss as a monetary gain or loss from hyperinflation.

The application of the IAS 29 restatement procedures has the effect of amending certain accounting policies at the subsidiary's level which are used in the preparation of the financial statements under the historical cost convention.

The hyperinflation adjustment of KD 692,039 (31 December 2016: KD 864,226 and 31 March 2016: KD 77,934) in the books of Higleig, up to 31 March 2017, has been adjusted directly in the interim condensed consolidated statement of changes in equity.

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11 HYPERINFLATION ADJUSTMENT (continued)

The movement in non-monetary assets and liabilities due to hyperinflation is as follows:

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Property and equipment	454,736	320,933	147,412
Investment in associate	-	34,737	-
Investment property	-	(461,053)	-
Inventories	526,997	(81,342)	1,266
Other impact on the interim condensed consolidated statement of profit or loss	337,336	(384,702)	(178,589)
	<u>1,319,069</u>	<u>(571,427)</u>	<u>(29,911)</u>

Interim condensed consolidated statement of changes in equity

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Attributable to:			
Shareholders of the Company	444,635	(555,266)	50,073
Non-controlling interests	247,404	(308,960)	27,861
	<u>692,039</u>	<u>(864,226)</u>	<u>77,934</u>

Interim condensed consolidated statement of profit or Loss

Shareholders of the Company	402,867	188,123	(69,290)
Non-controlling interests	224,163	104,676	(38,555)
	<u>627,030</u>	<u>292,799</u>	<u>(107,845)</u>
Total impact of hyperinflation	<u>1,319,069</u>	<u>(571,427)</u>	<u>(29,911)</u>

12 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Capital commitments			
Commitment towards contribution of fund expenses	860,172	903,683	996,366
Financial assets available for sale	6,601,500	6,593,400	6,496,200
	<u>7,461,672</u>	<u>7,497,083</u>	<u>7,492,566</u>
Contingent liabilities			
Letters of guarantee	4,817,334	4,817,334	4,854,226
Letter of credit	1,063,297	1,063,297	-
	<u>5,880,631</u>	<u>5,880,631</u>	<u>4,854,226</u>

No material liabilities are anticipated to arise out of contingent liabilities. The letters of guarantee are partially secured by bank balances, cash and wakala deposits (note 6).

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13 SEGMENT INFORMATION

For management purposes, the Group is organised into two operating segments based on business units as follows:

- Energy** : Exploration, drilling, development and production of oil and gas, alternate and renewable sources of energy, licensing and other activities related to the energy sector; and
Others : Investment and other related services.

	<i>Energy KD</i>	<i>Others KD</i>	<i>Total KD</i>
Three months ended 31 March 2017 (Unaudited)			
Segment revenues	4,485,614	-	4,485,614
Loss for the period	(70,330)	(98,959)	(169,289)
Three months ended 31 March 2016 (Unaudited)			
Segment revenues	4,629,899	-	4,629,899
Profit for the period	946,423	30,333	976,756
As at 31 March 2017 (Unaudited)			
Segment assets	46,570,537	3,784,452	50,354,989
Segment liabilities	13,521,990	-	13,521,990
As at 31 December 2016 (Audited)			
Segment assets	47,432,426	3,736,749	51,169,175
Segment liabilities	14,995,444	-	14,995,444
As at 31 March 2016 (Unaudited)			
Segment assets	63,777,571	5,572,901	69,350,472
Segment liabilities	10,169,550	-	10,169,550