

**THE ENERGY HOUSE HOLDING COMPANY  
K.S.C.P. AND ITS SUBSIDIARIES**

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

**30 SEPTEMBER 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 (collectively, "the Group"), as at 30 September 2017 and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, interim condensed consolidated statement of cash flows and the interim condensed consolidated statement of changes in equity for the nine 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 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 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.

### ***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 review of 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, as amended, and its executive regulations, as amended, or of the Company's Memorandum of Incorporation and Articles of Association have occurred during the nine months period ended 30 September 2017 that might have had a material effect on the business of the Company or on its financial position.



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WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

8 November 2017  
Kuwait

# The Energy House Holding Company K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

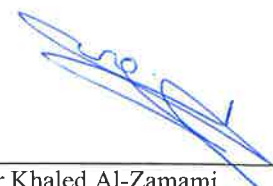
(UNAUDITED)

As at 30 September 2017

|   |   | 30 September<br>2017<br>KD | (Audited)<br>31 December<br>2016<br>KD | 30 September<br>2016<br>KD |
|---|---|----------------------------|--|----------------------------|
| <b>ASSETS</b>   |   |                            |  |                            |
| <b>Non-current assets</b>                             |   |                            |  |                            |
| Property and equipment                                |   | 7,134,092                  | 7,065,417                              | 10,486,279                 |
| Investment property                                   |   | 3,585,689                  | 3,736,749                              | 5,618,118                  |
| Investment in associates                              |   | 1,795,955                  | 1,762,855                              | 1,800,705                  |
| Financial assets available for sale                   |   | 14,359,897                 | 14,346,212                             | 24,767,323                 |
| Financial assets at fair value through profit or loss |   | 7,194,524                  | 7,964,538                              | 7,835,376                  |
| Other assets  |   | -                          | 64,693                                 | 210,523                    |
|   |   | <u>34,070,157</u>          | <u>34,940,464</u>                      | <u>50,718,324</u>          |
| <b>Current assets</b>                                 |   |                            |  |                            |
| Inventories   |   | 3,137,994                  | 1,473,369                              | 1,471,269                  |
| Trade and other receivables                           |   | 8,849,716                  | 9,438,724                              | 9,690,738                  |
| Bank balances, cash and wakala deposits               | 3 | 1,275,458                  | 5,316,618                              | 3,390,320                  |
|   |   | <u>13,263,168</u>          | <u>16,228,711</u>                      | <u>14,552,327</u>          |
| <b>TOTAL ASSETS</b>                                   |   | <u><u>47,333,325</u></u>   | <u><u>51,169,175</u></u>               | <u><u>65,270,651</u></u>   |
| <b>EQUITY AND LIABILITIES</b>                         |   |                            |  |                            |
| <b>Equity</b>   |   |                            |  |                            |
| Share capital   |   | 75,000,000                 | 75,000,000                             | 75,000,000                 |
| Share premium   |   | 193,550                    | 193,550                                | 193,550                    |
| Statutory reserve                                     |   | 472,723                    | 472,723                                | 472,723                    |
| Voluntary reserve                                     |   | 314,957                    | 314,957                                | 314,957                    |
| Other reserves  |   | (812,986)                  | (812,986)                              | (812,986)                  |
| Foreign currency translation reserve                  |   | (157,011)                  | (823,653)                              | (721,649)                  |
| Available for sale reserve                            |   | 46,112                     | 46,112                                 | 29,846                     |
| Accumulated losses                                    |   | (44,730,078)               | (41,752,960)                           | (25,066,077)               |
| Equity attributable to shareholders of the Company    |   | <u>30,327,267</u>          | <u>32,637,743</u>                      | <u>49,410,364</u>          |
| Non-controlling interests                             |   | 4,407,618                  | 3,535,988                              | 4,667,087                  |
| <b>Total equity</b>                                   |   | <u>34,734,885</u>          | <u>36,173,731</u>                      | <u>54,077,451</u>          |
| <b>Liabilities</b>                                    |   |                            |  |                            |
| <b>Non-current liabilities</b>                        |   |                            |  |                            |
| Employees' end of service benefits                    |   | 507,801                    | 660,870                                | 582,606                    |
| <b>Current liabilities</b>                            |   |                            |  |                            |
| Trade and other payables                              |   | 5,996,517                  | 8,072,920                              | 8,000,016                  |
| Murabaha payables                                     | 4 | 6,094,122                  | 6,261,654                              | 2,610,578                  |
|   |   | <u>12,090,639</u>          | <u>14,334,574</u>                      | <u>10,610,594</u>          |
| <b>Total liabilities</b>                              |   | <u>12,598,440</u>          | <u>14,995,444</u>                      | <u>11,193,200</u>          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   |   | <u><u>47,333,325</u></u>   | <u><u>51,169,175</u></u>               | <u><u>65,270,651</u></u>   |



Ahmed Issa Al-Sumait  
Chairman



Bader Khaled Al-Zamami  
Vice Chairman

The attached notes from 1 to 11 form an integral part of these interim condensed consolidated financial information.

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

For the period ended 30 September 2017

|   | Notes | Three months ended |                    | Nine months ended   |                     |
|---|-------|--------------------|--------------------|---------------------|---------------------|
|   |       | 30 September       |                    | 30 September        |                     |
|   |       | 2017               | 2016               | 2017                | 2016                |
|   |       | KD                 | KD                 | KD                  | KD                  |
| <b>REVENUE</b>  |       |                    |                    |                     |                     |
| Contract revenue  |       | 3,276,531          | 1,564,436          | 10,407,246          | 7,245,586           |
| Services revenue  |       | 631,755            | 751,880            | 2,048,549           | 2,273,190           |
|   |       | <u>3,908,286</u>   | <u>2,316,316</u>   | <u>12,455,795</u>   | <u>9,518,776</u>    |
| <b>COST OF REVENUE</b>  |       |                    |                    |                     |                     |
| Contract costs  |       | (4,344,442)        | (4,328,385)        | (11,392,294)        | (10,612,851)        |
| Services cost   |       | (695,919)          | (626,541)          | (1,954,477)         | (1,836,987)         |
|   |       | <u>(5,040,361)</u> | <u>(4,954,926)</u> | <u>(13,346,771)</u> | <u>(12,449,838)</u> |
| <b>GROSS LOSS</b>   |       | <u>(1,132,075)</u> | <u>(2,638,610)</u> | <u>(890,976)</u>    | <u>(2,931,062)</u>  |
| Other income  |       | 94,131             | 130,532            | 284,518             | 266,002             |
| Rental income   |       | 54,222             | 27,662             | 164,774             | 67,984              |
| Reversal of impairment loss on property and equipment                               |       | -                  | -                  | -                   | 583,483             |
| Net investment loss   | 6     | (170,511)          | (83,437)           | (672,324)           | (516,568)           |
| Share of results from associates  |       | (50,548)           | (17,036)           | 54,573              | (85,889)            |
| Impairment loss on investment in associates   |       | -                  | -                  | -                   | (546,721)           |
| Provision for slow moving and obsolete inventories                                  |       | -                  | (283,213)          | -                   | (283,213)           |
| (Allowance for) reversal of provision for doubtful debts                            |       | (261,586)          | 404,665            | (769,277)           | 404,665             |
| Staff costs   |       | (450,720)          | (437,485)          | (1,357,548)         | (1,414,301)         |
| General and administration expenses   |       | (443,303)          | (109,074)          | (1,486,161)         | (991,990)           |
| Finance costs   |       | (80,767)           | (49,333)           | (188,126)           | (95,796)            |
| Foreign exchange (loss) gain  |       | (793,194)          | 228,129            | 122,414             | 1,374,147           |
| <b>OPERATING LOSS</b>   |       | <u>(3,234,351)</u> | <u>(2,827,200)</u> | <u>(4,738,133)</u>  | <u>(4,169,259)</u>  |
| Monetary gain (loss) from hyperinflation  | 9     | 448,375            | 68,613             | 1,048,253           | (180,573)           |
| <b>LOSS FOR THE PERIOD BEFORE TAX</b>   |       | <u>(2,785,976)</u> | <u>(2,758,587)</u> | <u>(3,689,880)</u>  | <u>(4,349,832)</u>  |
| Taxation on foreign operations  |       | (30,865)           | (6,815)            | (265,971)           | (55,228)            |
| <b>LOSS FOR THE PERIOD</b>  |       | <u>(2,816,841)</u> | <u>(2,765,402)</u> | <u>(3,955,851)</u>  | <u>(4,405,060)</u>  |
| <b>Attributable to:</b>   |       |                    |                    |                     |                     |
| Shareholders of the Company   |       | (2,492,474)        | (2,500,164)        | (3,873,887)         | (3,989,601)         |
| Non-controlling interests   |       | (324,367)          | (265,238)          | (81,964)            | (415,459)           |
|   |       | <u>(2,816,841)</u> | <u>(2,765,402)</u> | <u>(3,955,851)</u>  | <u>(4,405,060)</u>  |
| <b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b> | 7     | <u>(3.32) fils</u> | <u>(3.33) fils</u> | <u>(5.17) fils</u>  | <u>(5.32) fils</u>  |

The attached notes from 1 to 11 form an integral part of these interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and its Subsidiaries  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
 INCOME (UNAUDITED)  
 For the period ended 30 September 2017

|  | <i>Three months ended</i><br><i>30 September</i> |                          | <i>Nine months ended</i><br><i>30 September</i> |                          |
|--|--|--------------------------|---|--------------------------|
|  | <i>2017</i><br><i>KD</i>                         | <i>2016</i><br><i>KD</i> | <i>2017</i><br><i>KD</i>                        | <i>2016</i><br><i>KD</i> |
| <b>Loss for the period</b>   | <b>(2,816,841)</b>                               | <b>(2,765,402)</b>       | <b>(3,955,851)</b>                              | <b>(4,405,060)</b>       |
| <b>Other comprehensive (loss) income:</b><br><i>Items that are (or) may be reclassified</i><br><i>subsequently to the interim condensed</i><br><i>consolidated statement of profit or loss</i> |  |                          |   |                          |
| Share of foreign currency translation<br>reserve of associates   | -  | (23,246)                 | 3,544   | (74,444)                 |
| Net exchange difference on translation<br>of foreign operations  | (567,261)  | 14,385                   | 1,117,712                                       | (107,988)                |
| Net changes in available for sale reserve  | -  | -                        | -   | 10,452                   |
| <b>Other comprehensive (loss) income for<br/>the period</b>  | <b>(567,261)</b>                                 | <b>(8,861)</b>           | <b>1,121,256</b>                                | <b>(171,980)</b>         |
| <b>Total comprehensive loss for the<br/>period</b>   | <b>(3,384,102)</b>                               | <b>(2,774,263)</b>       | <b>(2,834,595)</b>                              | <b>(4,577,040)</b>       |
| <b>Attributable to:</b>  |  |                          |   |                          |
| Shareholders of the Company  | (2,896,621)                                      | (2,501,352)              | (3,207,245)                                     | (4,137,612)              |
| Non-controlling interests  | (487,481)  | (272,911)                | 372,650   | (439,428)                |
|  | <b>(3,384,102)</b>                               | <b>(2,774,263)</b>       | <b>(2,834,595)</b>                              | <b>(4,577,040)</b>       |

The attached notes from 1 to 11 form an integral part of these interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and its Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(UNAUDITED)

For the period ended 30 September 2017

|  | Notes | Nine months ended<br>30 September |             |
|--|-------|-----------------------------------|-------------|
|  |       | 2017<br>KD                        | 2016<br>KD  |
| <b>OPERATING ACTIVITIES</b>  |       |                                   |             |
| Loss for the period before tax   |       | (3,689,880)                       | (4,349,832) |
| Adjustments to reconcile loss for the period before tax to net cash flows: |       |                                   |             |
| Gain on disposal of property and equipment                                 |       | (27,432)                          | (29,738)    |
| Rental income  |       | (164,774)                         | (67,984)    |
| Reversal of impairment loss on property and equipment                      |       | -                                 | (583,483)   |
| Net investment loss  | 6     | 672,324                           | 516,568     |
| Share of results of associates   |       | (54,573)                          | 85,889      |
| Impairment loss on investment in associates                                |       | -                                 | 546,721     |
| Provision for slow moving and obsolete inventories                         |       | -                                 | 283,213     |
| Allowance for (reversal of) doubtful debts                                 |       | 769,277                           | (404,665)   |
| Employees' end of service benefits provided                                |       | 81,764                            | 112,213     |
| Depreciation   |       | 904,427                           | 1,009,199   |
| Finance costs  |       | 188,126                           | 95,796      |
| Monetary (gain) loss from hyperinflation                                   |       | (1,048,253)                       | 180,573     |
|  |       | (2,368,994)                       | (2,605,530) |
| Working capital adjustments:   |       |                                   |             |
| Inventories  |       | (503,671)                         | (127,845)   |
| Trade and other receivables  |       | (115,576)                         | 1,237,424   |
| Trade and other payables   |       | (2,342,373)                       | 2,218       |
| Cash flows used in operations  |       | (5,330,614)                       | (1,493,733) |
| Employees' end of service benefits paid                                    |       | (268,339)                         | (98,721)    |
| Net cash flows used in operating activities                                |       | (5,598,953)                       | (1,592,454) |
| <b>INVESTING ACTIVITIES</b>  |       |                                   |             |
| Purchase of property and equipment   |       | (601,174)                         | (1,053,837) |
| Proceeds from sale of property and equipment                               |       | 299,293                           | 263,964     |
| Purchase of financial assets at fair value through profit or loss          |       | -                                 | (127,231)   |
| Net movement in restricted bank balances and deposits                      |       | 2,011,265                         | 507,736     |
| Rental income received   |       | 164,774                           | 67,984      |
| Dividend income received   |       | -                                 | 9,605       |
| Net cash flows from (used in) investing activities                         |       | 1,874,158                         | (331,779)   |
| <b>FINANCING ACTIVITIES</b>  |       |                                   |             |
| Finance costs paid   |       | (34,415)                          | (12,737)    |
| Net movement in Murabaha payables  |       | (321,243)                         | 1,000,000   |
| Dividends paid to non-controlling interests                                |       | -                                 | (300,828)   |
| Net cash flows (used in) from financing activities                         |       | (355,658)                         | 686,435     |
| Effect of foreign currency translation and hyperinflation adjustment       |       | 2,050,558                         | 26,954      |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                           |       | (2,029,895)                       | (1,210,844) |
| Cash and cash equivalents as at the beginning of the period                |       | 3,066,044                         | 2,662,996   |
| <b>CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD</b>               | 3     | 1,036,149                         | 1,452,152   |

The attached notes from 1 to 11 form an integral part of these interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2017

|  | <i>Attributable to shareholders of the Company</i> |                             |                                 |                                 |                              |  |  |                                  |                         |   |                            |
|--|--|-----------------------------|---------------------------------|---------------------------------|------------------------------|--|--|----------------------------------|-------------------------|---|----------------------------|
|  | <i>Share capital<br/>KD</i>                        | <i>Share premium<br/>KD</i> | <i>Statutory Reserve<br/>KD</i> | <i>Voluntary reserve<br/>KD</i> | <i>Other reserves<br/>KD</i> | <i>Foreign currency translation reserve<br/>KD</i> | <i>Available for sale reserve<br/>KD</i> | <i>Accumulated losses<br/>KD</i> | <i>Sub-total<br/>KD</i> | <i>Non-controlling interests<br/>KD</i> | <i>Total equity<br/>KD</i> |
| As at 1 January 2017                             | 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                 |
| Loss for the period                              | -  | -                           | -                               | -                               | -                            | -  | -  | (3,873,887)                      | (3,873,887)             | (81,964)                                | (3,955,851)                |
| Other comprehensive income for the period        | -  | -                           | -                               | -                               | -                            | 666,642  | -  | -                                | 666,642                 | 454,614                                 | 1,121,256                  |
| Total comprehensive income (loss) for the period | -  | -                           | -                               | -                               | -                            | 666,642  | -  | (3,873,887)                      | (3,207,245)             | 372,650                                 | (2,834,595)                |
| Hyperinflation adjustment (Note 9)               | -  | -                           | -                               | -                               | -                            | -  | -  | 896,769                          | 896,769                 | 498,980                                 | 1,395,749                  |
| <b>As at 30 September 2017</b>                   | <b>75,000,000</b>                                  | <b>193,550</b>              | <b>472,723</b>                  | <b>314,957</b>                  | <b>(812,986)</b>             | <b>(157,011)</b>                                   | <b>46,112</b>                            | <b>(44,730,078)</b>              | <b>30,327,267</b>       | <b>4,407,618</b>                        | <b>34,734,885</b>          |
| As at 1 January 2016                             | 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                 |
| Loss for the period                              | -  | -                           | -                               | -                               | -                            | -  | -  | (3,989,601)                      | (3,989,601)             | (415,459)                               | (4,405,060)                |
| Other comprehensive (loss) income for the period | -  | -                           | -                               | -                               | -                            | (156,925)  | 8,915                                    | -                                | (148,010)               | (23,970)                                | (171,980)                  |
| Total comprehensive (loss) income for the period | -  | -                           | -                               | -                               | -                            | (156,925)  | 8,915                                    | (3,989,601)                      | (4,137,611)             | (439,429)                               | (4,577,040)                |
| Hyperinflation adjustment (Note 9)               | -  | -                           | -                               | -                               | -                            | -  | -  | 127,895                          | 127,895                 | 71,163                                  | 199,058                    |
| Dividends paid to non-controlling interests      | -  | -                           | -                               | -                               | -                            | -  | -  | -                                | -                       | (300,828)                               | (300,828)                  |
| <b>As at 30 September 2016</b>                   | <b>75,000,000</b>                                  | <b>193,550</b>              | <b>472,723</b>                  | <b>314,957</b>                  | <b>(812,986)</b>             | <b>(721,649)</b>                                   | <b>29,846</b>                            | <b>(25,066,077)</b>              | <b>49,410,364</b>       | <b>4,667,087</b>                        | <b>54,077,451</b>          |

The attached notes from 1 to 11 form an integral part of these interim condensed consolidated financial information.

# The Energy House Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

### 1 CORPORATE INFORMATION AND ACTIVITIES

The Company is a Kuwaiti shareholding company registered and incorporated in the State of Kuwait under commercial registration no. 68770 dated 30 July 1996. The Company's shares are listed on the Kuwait Stock Exchange on 23 May 2005.

The Company's registered office is located at Arraya Tower 2, Sharq Area, 25<sup>th</sup> floor, Kuwait City and the postal address is P.O. Box 21909, Safat 13080, State of Kuwait.

The Company is principally engaged in the followings:

- 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 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 nine months period ended 30 September 2017 were authorised for issuance in accordance with a resolution of the Board of Directors of the Company on 8 November 2017.

The Annual General Assembly (AGM) of the Company for the year ended 31 December 2016 held on 30 March 2017, approved the consolidated financial statements of the Group for the year ended 31 December 2016; and no dividends were declared for the year ended 31 December 2016.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" ("IAS 34").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

Operating results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the consolidated financial statements for the year ending 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the Group's annual 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. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.



The Energy House Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

**3 BANK BALANCES, CASH AND WAKALA DEPOSITS**

|   | <i>30 September</i><br><i>2017</i><br><i>KD</i> | <i>(Audited)</i><br><i>31 December</i><br><i>2016</i><br><i>KD</i> | <i>30 September</i><br><i>2016</i><br><i>KD</i> |
|---|---|--|---|
| Bank balances and cash  | <b>1,175,458</b>                                | 3,423,940  | 1,497,642                                       |
| Wakala deposits   | <b>100,000</b>                                  | 1,892,678  | 1,892,678                                       |
| Bank balances, cash and wakala deposits as per the interim condensed consolidated statement of financial position | <b>1,275,458</b>                                | 5,316,618  | 3,390,320                                       |
| Restricted bank balances  | <b>(139,309)</b>                                | (357,896)  | (145,490)                                       |
| Restricted wakala deposits of more than three months  | <b>(100,000)</b>                                | (1,892,678)  | (1,792,678)                                     |
| Cash and cash equivalents as per the interim condensed consolidated statement of cash flows                       | <b>1,036,149</b>                                | 3,066,044  | 1,452,152                                       |

Restricted bank balances of KD 139,309 (31 December 2016: KD 357,896 and 30 September 2016: KD 145,490) represent margin deposits secured against letters of guarantee (Note 10).

Wakala deposits with original maturity of more than three months of KD 100,000 (31 December 2016: KD 1,892,678 and 30 September 2016: KD 1,792,678) represents margin deposits secured against the letters of guarantee (Note 10).

**4 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 30 September 2016: 3.5% per annum).

Murabaha facilities are unsecured. Included in Murabaha facilities is an amount of KD 5,837,929 (31 December 2016: KD 6,037,429 and 30 September 2016: KD 2,371,599) obtained from related parties (Note 5).

**5 RELATED PARTY TRANSACTIONS**

Related parties represent the i.e. major shareholders, associates, 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 Company's management.

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

|   | <i>Ultimate</i><br><i>Parent</i><br><i>Company</i><br><i>KD</i> | <i>Parent</i><br><i>Company</i><br><i>KD</i> | <i>Entities under</i><br><i>common</i><br><i>control</i><br><i>KD</i> | <i>(Audited)</i><br><i>30 September</i><br><i>2017</i><br><i>KD</i> | <i>31 December</i><br><i>2016</i><br><i>KD</i> | <i>30 September</i><br><i>2016</i><br><i>KD</i> |
|---|---|--|---|---|--|---|
| Trade and other receivables             | -   | -  | 8,768   | <b>8,768</b>  | 9,409  | 4,249   |
| Bank balances, cash and wakala deposits | 516,687   | -  | -   | <b>516,687</b>  | 2,865,658                                      | 2,289,999                                       |
| Trade and other payables                | -   | 497,386                                      | 25,619  | <b>523,005</b>  | 12,216   | 272,123   |
| Murabaha payables (Note 4)              | 858,916   | 4,979,013                                    | -   | <b>5,837,929</b>  | 6,037,429                                      | 2,371,599                                       |

The Energy House Holding Company K.S.C.P. and its Subsidiaries

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**5 RELATED PARTY TRANSACTIONS (continued)**

Transactions with related parties included in the interim condensed consolidated statement of profit or loss are as follows:

|               | Ultimate Parent<br>Company<br>KD | Parent<br>Company<br>KD | Nine months ended<br>30 September |            |
|---------------|----------------------------------|-------------------------|-----------------------------------|------------|
|               |                                  |                         | 2017<br>KD                        | 2016<br>KD |
| Other income  | 24,358                           | -                       | <b>24,358</b>                     | 2,852      |
| Finance costs | (34,416)                         | (104,304)               | <b>(138,720)</b>                  | (35,917)   |

Contingent liabilities with related parties included in the interim condensed consolidated financial information are as follows:-

|                      | Ultimate Parent<br>Company<br>KD | 30 September<br>2017<br>KD | (Audited)                 | 30 September<br>2016<br>KD |
|----------------------|----------------------------------|----------------------------|---------------------------|----------------------------|
|                      |                                  |                            | 31 December<br>2016<br>KD |                            |
| Letters of credit    | 1,162,248                        | <b>1,162,248</b>           | 1,063,297                 | 359,300                    |
| Letters of guarantee | 1,256,561                        | <b>1,256,561</b>           | 4,817,334                 | 4,551,460                  |

**Compensation of key management personnel**

The remuneration of key management personnel of the Group during the period were as follows:

|                                  | Three months ended<br>30 September |            | Nine months ended<br>30 September |            |
|----------------------------------|------------------------------------|------------|-----------------------------------|------------|
|                                  | 2017<br>KD                         | 2016<br>KD | 2017<br>KD                        | 2016<br>KD |
| Salaries and short term benefits | <b>92,868</b>                      | 84,762     | <b>326,446</b>                    | 369,733    |
| Termination benefits             | <b>7,023</b>                       | 2,634      | <b>18,025</b>                     | 18,091     |
|                                  | <b>99,891</b>                      | 87,396     | <b>344,471</b>                    | 387,824    |

**6 NET INVESTMENT LOSS**

|   | Three months ended<br>30 September |            | Nine months ended<br>30 September |             |
|---|------------------------------------|------------|-----------------------------------|-------------|
|   | 2017<br>KD                         | 2016<br>KD | 2017<br>KD                        | 2016<br>KD  |
| Impairment loss on financial assets<br>available for sale                             | -                                  | -          | -                                 | (1,500,000) |
| Unrealised (loss) gain on financial<br>assets at fair value through profit or<br>loss | <b>(170,511)</b>                   | (83,437)   | <b>(672,324)</b>                  | 987,072     |
| Realised loss on sale of financial assets<br>at fair value through profit or loss     | -                                  | -          | -                                 | (3,640)     |
|   | <b>(170,511)</b>                   | (83,437)   | <b>(672,324)</b>                  | (516,568)   |

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**7 BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

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

|   | <i>Three months ended</i> |               | <i>Nine months ended</i> |               |
|---|---------------------------|---------------|--------------------------|---------------|
|   | <i>30 September</i>       |               | <i>30 September</i>      |               |
|   | <i>2017</i>               | <i>2016</i>   | <i>2017</i>              | <i>2016</i>   |
|   | <i>KD</i>                 | <i>KD</i>     | <i>KD</i>                | <i>KD</i>     |
| Loss for the period attributable to shareholders of the Company                     | <b>(2,492,474)</b>        | (2,500,164)   | <b>(3,873,887)</b>       | (3,989,601)   |
|   | <i>Shares</i>             | <i>Shares</i> | <i>Shares</i>            | <i>Shares</i> |
| Weighted average number of outstanding shares                                       | <b>750,000,000</b>        | 750,000,000   | <b>750,000,000</b>       | 750,000,000   |
| <b>Basic and diluted loss per share attributable to shareholders of the Company</b> | <b>(3.32) fils</b>        | (3.33) fils   | <b>(5.17) fils</b>       | (5.32) fils   |

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

**8 FAIR VALUES**

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, trade and other receivables and bank balances, cash and wakala deposits.

Financial liabilities consist of trade and other payables and murabaha payables.

**Fair value hierarchy**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:-

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; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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As at 30 September 2017

8 FAIR VALUES (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| <i>As at 30 September 2017</i>                                | <i>Level 1<br/>KD</i> | <i>Level 2<br/>KD</i>   | <i>Total<br/>KD</i>     |
|---|-----------------------|-------------------------|-------------------------|
| <i>Financial assets at fair value through profit or loss:</i> |                       |                         |                         |
| Investment in an unquoted fund                                | -                     | 7,194,524               | 7,194,524               |
| <i>Financial assets available for sale:</i>                   |                       |                         |                         |
| Quoted equity securities                                      | 359,897               | -                       | 359,897                 |
|   | <u>359,897</u>        | <u>7,194,524</u>        | <u>7,554,421</u>        |
|   | <u><u>359,897</u></u> | <u><u>7,194,524</u></u> | <u><u>7,554,421</u></u> |
| <i>As at 31 December 2016 (Audited)</i>                       | <i>Level 1<br/>KD</i> | <i>Level 2<br/>KD</i>   | <i>Total<br/>KD</i>     |
| <i>Financial assets at fair value through profit or loss:</i> |                       |                         |                         |
| Investment in an unquoted fund                                | -                     | 7,964,538               | 7,964,538               |
| <i>Financial assets available for sale:</i>                   |                       |                         |                         |
| Quoted equity securities                                      | 346,212               | -                       | 346,212                 |
|   | <u>346,212</u>        | <u>7,964,538</u>        | <u>8,310,750</u>        |
|   | <u><u>346,212</u></u> | <u><u>7,964,538</u></u> | <u><u>8,310,750</u></u> |
| <i>As at 30 September 2016</i>                                | <i>Level 1<br/>KD</i> | <i>Level 2<br/>KD</i>   | <i>Total<br/>KD</i>     |
| <i>Financial assets at fair value through profit or loss:</i> |                       |                         |                         |
| Investment in an unquoted fund                                | -                     | 7,835,376               | 7,835,376               |
| <i>Financial assets available for sale:</i>                   |                       |                         |                         |
| Quoted equity securities                                      | 340,467               | -                       | 340,467                 |
|   | <u>340,467</u>        | <u>7,835,376</u>        | <u>8,175,843</u>        |
|   | <u><u>340,467</u></u> | <u><u>7,835,376</u></u> | <u><u>8,175,843</u></u> |

*Description of significant unobservable inputs to valuation of financial assets:*

Managed fund has been valued based on Net Asset Value (NAV) provided by the custodian of the fund. The information relating to valuation techniques and significant unobservable inputs to valuation to compute the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

The table above does not include unquoted equity securities within financial assets available for sale amounting to KD 14,000,000 (31 December 2016: KD 14,000,000 and 30 September 2016: KD 24,426,856) as this investment is carried at cost less impairment and for which disclosure of fair value is not provided because fair value can not be reliably measured.

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8 FAIR VALUES (continued)

*Non-financial assets*

|                                   | <i>Level 3<br/>KD</i> | <i>Total<br/>KD</i> |
|-----------------------------------|-----------------------|---------------------|
| <b>30 September 2017</b>          |                       |                     |
| Investment property               | <u>3,585,689</u>      | <u>3,585,689</u>    |
| <b>31 December 2016 (Audited)</b> |                       |                     |
| Investment property               | <u>3,736,749</u>      | <u>3,736,749</u>    |
| <b>30 September 2016</b>          |                       |                     |
| Investment property               | <u>5,618,118</u>      | <u>5,618,118</u>    |

During the periods ended 30 September 2017, 31 December 2016 and 30 September 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfer into or out of level 3 fair value measurements during the nine months period ended 30 September 2017.

**Investment property**

*Developed property*

Developed property is valued using the income capitalization approach, which is based on capitalization of the discounted annual cash flows from the property, which is calculated by discounting rental income generated annually by the property using the current market discount rate.

9 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 Higlieig, 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:

|                          | <b>Index</b>   | <b>Conversion<br/>Factor</b> |
|--------------------------|----------------|------------------------------|
| <b>30 September 2017</b> | <b>767.900</b> | <b>1.098</b>                 |
| 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        | 1.000                        |

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;

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9 HYPERINFLATION ADJUSTMENT (continued)

- 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 1,395,749 (31 December 2016: KD (864,226) and 30 September 2016: KD 199,058) in the books of Hagleig, up to 30 September 2017, has been adjusted directly in the interim condensed consolidated statement of changes in equity.

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

|  | <i>30 September<br/>2017<br/>KD</i> | <i>(Audited)<br/>31 December<br/>2016<br/>KD</i> | <i>30 September<br/>2016<br/>KD</i> |
|--|-------------------------------------|--|-------------------------------------|
| Property and equipment   | 615,965                             | 320,933  | 100,555                             |
| Investment in associate  | -                                   | 34,737   | (548,145)                           |
| Investment property  | -                                   | (461,053)  | -                                   |
| Inventories  | 1,160,954                           | (81,342)   | (329,736)                           |
| Other impact on the interim condensed consolidated statement of profit or loss | 667,083                             | (384,702)  | 795,811                             |
|  | <u>2,444,002</u>                    | <u>(571,427)</u>                                 | <u>18,485</u>                       |

Interim condensed consolidated statement of changes in equity:

|                             | <i>30 September<br/>2017<br/>KD</i> | <i>(Audited)<br/>31 December<br/>2016<br/>KD</i> | <i>30 September<br/>2016<br/>KD</i> |
|-----------------------------|-------------------------------------|--|-------------------------------------|
| <b>Attributable to:</b>     |                                     |  |                                     |
| Shareholders of the Company | 896,769                             | (555,266)  | 127,895                             |
| Non-controlling interests   | 498,980                             | (308,960)  | 71,163                              |
|                             | <u>1,395,749</u>                    | <u>(864,226)</u>                                 | <u>199,058</u>                      |

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9 . HYPERINFLATION ADJUSTMENT (continued)

Interim condensed consolidated statement of profit or loss:

|                                       | <i>30 September<br/>2017<br/>KD</i> | <i>(Audited)<br/>31 December<br/>2016<br/>KD</i> | <i>30 September<br/>2016<br/>KD</i> |
|---------------------------------------|-------------------------------------|--|-------------------------------------|
| Shareholders of the Company           | 673,503                             | 188,123  | (116,018)                           |
| Non-controlling interests             | 374,750                             | 104,676  | (64,555)                            |
|                                       | <u>1,048,253</u>                    | <u>292,799</u>                                   | <u>(180,573)</u>                    |
| <b>Total impact of hyperinflation</b> | <b><u>2,444,002</u></b>             | <b><u>(571,427)</u></b>                          | <b><u>18,485</u></b>                |

10 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

|  | <i>30 September<br/>2017<br/>KD</i> | <i>(Audited)<br/>31 December<br/>2016<br/>KD</i> | <i>30 September<br/>2016<br/>KD</i> |
|--|-------------------------------------|--|-------------------------------------|
| <b>Capital commitments:</b>                      |                                     |  |                                     |
| Commitment towards contribution of fund expenses | 775,274                             | 903,683  | 927,549                             |
| Financial assets available for sale              | 6,520,500                           | 6,593,400  | 6,528,600                           |
|  | <u>7,295,774</u>                    | <u>7,497,083</u>                                 | <u>7,456,149</u>                    |
| <b>Contingent liabilities:</b>                   |                                     |  |                                     |
| Letters of guarantee                             | 1,256,561                           | 4,817,334  | 4,551,460                           |
| Letters of credit                                | 1,162,248                           | 1,063,297  | 359,300                             |
|  | <u>2,418,809</u>                    | <u>5,880,631</u>                                 | <u>4,910,760</u>                    |

Restricted bank balances of KD 139,309 (31 December 2016: KD 357,896 and 30 September 2016: KD 145,490) represent margin deposits that are held as security against letters of guarantee (Note 3).

Wakala deposits with original maturity of more than three months of KD 100,000 (31 December 2016: KD 1,892,678 and 30 September 2016: KD 1,792,678) represents margin deposits held as a security against the letters of guarantee (Note 3).

11 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

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11 SEGMENT INFORMATION (continued)

The following table present revenue and profit (loss) information of the Group's operating segments for the nine months period ended 30 September 2017 and 30 September 2016, respectively:

|                              | <i>Energy<br/>KD</i> | <i>Others<br/>KD</i> | <i>Total<br/>KD</i> |
|------------------------------|----------------------|----------------------|---------------------|
| <i>30 September 2017</i>     |                      |                      |                     |
| Segment revenues             | 12,455,795           | -                    | 12,455,795          |
| Loss for the period          | (3,854,654)          | (101,197)            | (3,955,851)         |
| <i>30 September 2016</i>     |                      |                      |                     |
| Segment revenues             | 9,518,776            | -                    | 9,518,776           |
| (Loss) profit for the period | (4,417,816)          | 12,756               | (4,405,060)         |

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2017, 31 December 2016 and 30 September 2016, respectively:

|   | <i>Energy<br/>KD</i> | <i>Others<br/>KD</i> | <i>Total<br/>KD</i> |
|---|----------------------|----------------------|---------------------|
| <i>As at 30 September 2017</i>          |                      |                      |                     |
| Segment assets                          | 43,747,636           | 3,585,689            | 47,333,325          |
| Segment liabilities                     | 12,598,440           | -                    | 12,598,440          |
| <i>As at 31 December 2016 (Audited)</i> |                      |                      |                     |
| Segment assets                          | 47,432,426           | 3,736,749            | 51,169,175          |
| Segment liabilities                     | 14,995,444           | -                    | 14,995,444          |
| <i>As at 30 September 2016</i>          |                      |                      |                     |
| Segment assets                          | 59,652,533           | 5,618,118            | 65,270,651          |
| Segment liabilities                     | 11,193,200           | -                    | 11,193,200          |