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

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

## 31 MARCH 2018

Building a better working world

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# 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 31 March 2018 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and the interim condensed consolidated statement of changes in equity for the three-month 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.

*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 three-month period ended 31 March 2018 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

20 May 2018
Kuwait

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2018

| | Notes | 31 March 2018 KD | (Audited) 31 December 2017 KD | 31 March 2017 KD |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property and equipment | | **5,795,132** | 7,860,767 | 7,279,492 |
| Investment property | | **6,057,636** | 6,367,561 | 3,784,452 |
| Investment in associates | | **566,562** | 594,266 | 1,779,060 |
| Financial assets available-for-sale | | - | 14,343,269 | 14,350,632 |
| Financial assets at fair value through other comprehensive income | | **14,372,117** | - | - |
| Financial assets at fair value through profit or loss | | **6,997,744** | 6,617,679 | 7,781,667 |
| Other assets | | - | - | 65,557 |
| | | **33,789,191** | 35,783,542 | 35,040,860 |
| **Current assets** | | | | |
| Inventories | | **1,810,253** | 2,196,901 | 2,146,763 |
| Account receivables and other debit balances | | **4,513,869** | 9,120,092 | 9,116,648 |
| Cash and cash equivalents | 3 | **3,260,251** | 1,347,763 | 4,050,718 |
| | | **9,584,373** | 12,664,756 | 15,314,129 |
| **TOTAL ASSETS** | | **43,373,564** | 48,448,298 | 50,354,989 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| 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 | | **(700,997)** | (812,986) | (812,986) |
| Foreign currency translation reserve | | **(772,115)** | (170,189) | (717,675) |
| Cumulative change in fair value reserves | | **84,048** | 52,873 | 46,112 |
| Accumulated losses | | **(46,075,916)** | (45,884,980) | (41,612,834) |
| **Equity attributable to equity holders of the Company** | | **28,516,250** | 29,165,948 | 32,883,847 |
| Non-controlling interests | | **5,095,134** | 4,849,545 | 3,949,152 |
| **Total equity** | | **33,611,384** | 34,015,493 | 36,832,999 |
| **Liabilities** | | | | |
| **Non-current liability** | | | | |
| Employees' end of service benefits | | **286,751** | 524,455 | 529,794 |
| **Current liabilities** | | | | |
| Account payables and other liabilities | | **4,215,775** | 7,783,076 | 6,900,821 |
| Murabaha payables | 4 | **5,259,654** | 6,125,274 | 6,091,375 |
| | | **9,475,429** | 13,908,350 | 12,992,196 |
| **Total liabilities** | | **9,762,180** | 14,432,805 | 13,521,990 |
| **TOTAL EQUITY AND LIABILITIES** | | **43,373,564** | 48,448,298 | 50,354,989 |

Ahmed Eissa Al-Sumait
Chairman

Hamad A. Al-Qahtani
Chief Executive Officer

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the period ended 31 March 2018

| | Notes | *Three months ended 31 March* *2018* ***KD*** | *2017* *KD* |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **REVENUE** | | | |
| Contract revenue | | **296,271** | 1,524,558 |
| Services revenue | | **291,616** | 966,511 |
| | | **587,887** | 2,491,069 |
| **COST OF REVENUE** | | | |
| Contract costs | | **(532,636)** | (935,678) |
| Services costs | | **(247,914)** | (618,641) |
| | | **(780,550)** | (1,554,319) |
| **GROSS (LOSS) PROFIT** | | **(192,663)** | 936,750 |
| Other income | | **5,423** | 56,495 |
| Finance income | | **9,122** | 21,875 |
| Rental income | | **-** | 44,764 |
| Unrealised gain (loss) on financial assets at fair value through profit or loss | | **380,125** | (193,303) |
| Share of results of associates | | **1,300** | (22,881) |
| Loss on sale of a subsidiary | 11 | **(115,634)** | - |
| Allowance for impairment of receivables | | **(8,389)** | - |
| Staff costs | | **(200,465)** | (297,059) |
| General and administration expenses | | **(313,112)** | (398,747) |
| Finance costs | | **(35,749)** | (23,815) |
| Foreign exchange differences | | **666,661** | (342,382) |
| **OPERATING INCOME/(LOSS)** | | **196,619** | (218,303) |
| Monetary gain from hyperinflation | 8 | **227,470** | 627,030 |
| **PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO TAX** | | **424,089** | 408,727 |
| Taxation on foreign operations | | **(8,924)** | (143,723) |
| **PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **415,165** | 265,004 |
| **DISCONTINUED OPERATIONS** | | | |
| Loss for the period from discontinued operations | | **(359,367)** | (434,293) |
| **PROFIT (LOSS) FOR THE PERIOD** | | **55,798** | (169,289) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(62,804)** | (304,509) |
| Non-controlling interests | | **118,602** | 135,220 |
| | | **55,798** | (169,289) |
| **BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY** | 6 | **(0.08) fils** | (0.41) fils |

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2018

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2018*** | *2017* |
| | ***KD*** | *KD* |
| **Profit (loss) for the period** | **55,798** | (169,289) |
| **Other comprehensive (loss)/income:** | | |
| *Items that are (or) may be reclassified subsequently to the interim condensed consolidated statement of income* | | |
| Share of associates' reserves | **-** | 31,521 |
| Net exchange differences on translation of foreign operations | **(938,843)** | 104,997 |
| | **(938,843)** | 136,518 |
| *Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:* | | |
| Fair value gain on financial assets at fair value through other comprehensive income | **48,521** | - |
| **Total other comprehensive (loss) income for the period** | **(890,322)** | 136,518 |
| **Total comprehensive loss for the period** | **(834,524)** | (32,771) |
| **Attributable to:** | | |
| Equity holders of the Company | **(633,555)** | (198,531) |
| Non-controlling interests | **(200,969)** | 165,760 |
| | **(834,524)** | (32,771) |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2018

| | Notes | *Three months ended 31 March* *2018* *KD* | *2017* *KD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the period from continuing operations | | **424,089** | 408,727 |
| Loss for the period from discontinued operations | | **(359,367)** | (434,293) |
| Profit (loss) for the period before contribution to tax | | **64,722** | (25,566) |
| Adjustments to reconcile profit (loss) for the period before contribution to tax to net cash flows: | | | |
| Loss on sale of property and equipment | | **225** | 8,768 |
| Finance income | | **(9,122)** | (21,875) |
| Loss on sale of a subsidiary | 11 | **115,634** | - |
| Rental income | | **-** | (44,764) |
| Unrealised (gain)/loss on financial assets at fair value through profit or loss | | **(380,125)** | 193,303 |
| Share of results of associates | | **(1,300)** | 22,881 |
| Allowance for impairment of receivables | | **8,389** | 100,000 |
| Employees' end of service benefits provided | | **27,090** | 44,890 |
| Depreciation | | **122,296** | 291,541 |
| Finance costs | | **35,749** | 27,880 |
| Foreign exchange differences | | **(666,661)** | 342,382 |
| Monetary gain from hyperinflation | | **(227,470)** | (627,030) |
| | | **(910,573)** | 312,410 |
| Working capital adjustments: | | | |
| Inventories | | **82,428** | (1,200,391) |
| Account receivables and other debit balances | | **860,005** | (121,170) |
| Account payables and other liabilities | | **(242,378)** | (1,171,699) |
| Cash flows from (used in) operations | | **(210,518)** | (2,180,850) |
| Employees' end of service benefits paid | | **(298)** | (198,728) |
| Net cash flows used in operating activities | | **(210,816)** | (2,379,578) |
| **INVESTING ACTIVITIES** | | | |
| Proceeds from disposal of a subsidiary, net of cash and bank balances held by subsidiary | 11 | **2,353,426** | - |
| Purchase of property and equipment | | **(36,947)** | (87,610) |
| Proceeds from sale of property and equipment | | **11,725** | 197,658 |
| Net movement in restricted bank balances and deposits | | **220,961** | 39,035 |
| Rental income received | | **-** | 44,764 |
| Net cash flows from investing activities | | **2,549,165** | 193,847 |
| **FINANCING ACTIVITIES** | | | |
| Finance costs paid | | **(5,721)** | (17,499) |
| Finance income received | | **9,122** | 21,875 |
| Repayment of murabaha payables | | **(26,132)** | (180,660) |
| Net cash flows used in financing activities | | **(22,731)** | (176,284) |
| Effect of foreign currency translation and hyperinflation adjustment | | **(182,169)** | 1,135,150 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **2,133,449** | (1,226,865) |
| Cash and cash equivalents as at the beginning of the period | | **1,108,852** | 3,066,044 |
| **CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD** | 3 | **3,242,301** | 1,839,179 |

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2018

| | *Attributable to equity holders of the Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *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* | *Sub-total KD* | *Non-controlling interests KD* | *Total equity KD* |
| As at 1 January 2018 | 75,000,000 | 193,550 | 472,723 | 314,957 | (812,986) | (170,189) | 52,873 | (45,884,980) | 29,165,948 | 4,849,544 | 34,015,492 |
| Adjustment on adoption of IFRS 9 (Note 2.2) | - | - | - | - | - | - | - | (181,717) | (181,717) | (101,111) | (282,828) |
| As at 1 January 2018 (Adjusted) | 75,000,000 | 193,550 | 472,723 | 314,957 | (812,986) | (170,189) | 52,873 | (46,066,697) | 28,984,231 | 4,748,433 | 33,732,664 |
| (Loss) profit for the period | - | - | - | - | - | - | - | (62,804) | (62,804) | 118,602 | 55,798 |
| Other comprehensive (loss) income for the period | - | - | - | - | - | (601,926) | 31,175 | - | (570,751) | (319,571) | (890,322) |
| Total comprehensive (loss) income for the period | - | - | - | - | - | (601,926) | 31,175 | (62,804) | (633,555) | (200,969) | (834,524) |
| Hyperinflation adjustment (Note 8) | - | - | - | - | - | - | - | 165,574 | 165,574 | 92,129 | 257,703 |
| Discontinued operations (Note11) | - | - | - | - | 111,989 | - | - | (111,989) | - | 455,541 | 455,541 |
| **As at 31 March 2018** | **75,000,000** | **193,550** | **472,723** | **314,957** | **(700,997)** | **(772,115)** | **84,048** | **(46,075,916)** | **28,516,250** | **5,095,134** | **33,611,384** |
| 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) 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) |
| Hyperinflation adjustment (Note 8) | - | - | - | - | - | - | - | 444,635 | 444,635 | 247,404 | 692,039 |
| As at 31 March 2017 | 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 |

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

## 1 CORPORATE INFORMATION AND ACTIVITIES

The Energy House Holding Company K.S.C.P. (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 Boursa Kuwait.

The Company's registered office is located at Al Enmaa Tower, Mirqab, 14th 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 Company and its subsidiaries (collectively the "Group") for the three months period ended 31 March 2018 were authorised for issuance in accordance with a resolution of the Board of Directors of the Company on 14 May 2018.

The Annual General Assembly (AGM) of the Company for the year ended 31 December 2017 held on 17 April 2018, approved the consolidated financial statements of the Group for the year ended 31 December 2017; and no dividends were declared for the year ended 31 December 2017.

## 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1. Basis of preparation

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

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Group.

The interim condensed consolidated financial information of the Group does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2017. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Operating results for the three months period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2017.

Certain amounts shown here do not correspond to the interim condensed consolidated statement of income for the period ended 31 March 2018 and reflect reclassifications made relating to discontinued operations Note 11.

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

**2.2. New standards, interpretations and amendments adopted by the Group**

The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017 except for the changes described below arising from the adoption of IFRS 9 'Financial Instruments' ("IFRS 9") effective from 1 January 2018. The Group also adopted IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") effective 1 January 2018. However, there is no significant impact of IFRS 15 on the interim condensed consolidated financial information of the Group and the management expects to finalise the comprehensive assessment for IFRS 15 before the end of the second quarter of 2018.

*IFRS 9 Financial Instruments*

The Group has adopted IFRS 9 effective from 1 January 2018. IFRS 9 brings together the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Details of these new requirement as well as their impact on the Group's interim condensed consolidated financial information are described below. The Group has not entered into any derivative transactions during the year and not have any outstanding derivative as at date of initial application, hence no related disclosure are included below.

- As per the transition requirements, the IFRS 9 has been applied retrospectively. However, the management has not considered to restate the comparatives. Hence, the date of initial application has been determined as 1 January 2018. Therefore, difference arising from classification and measurement of financial assets resulting from adoption of IFRS 9 are recognised in cumulative change in fair value reserves and accumulated losses as at 1 January 2018. Accordingly, the information presented in the consolidated financial information as at 31 December 2017 and the interim condensed consolidated financial statements as at 31 March 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented in the interim condensed consolidated financial information as at 31 March 2018 under IFRS 9.
- The following assessments have been made on the basis of facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held;
  - Revocation of previous designation of financial assets available for sale (AFS) and re-designation as financial assets at fair value through other comprehensive income (FVOCI).

The Group has reviewed and assessed the its existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets in regards to their classification and measurement as given below.

***Classification and measurement of financial assets***

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), Amortised Cost (AC), or FVOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

- Financial assets such as account receivables and other debit balances and cash and cash equivalents that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- Financial assets at FVPL comprise equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.
- Financial assets such as equity investments are subsequently measured at fair value through other comprehensive income (FVOCI) as the Group has made irrevocable election/designation at initial application date.

*Impairment of financial assets*

As at 1 January 2018, the Group reviewed and assessed the Group's account receivables and other debit balances for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine ECL as at 1 January 2018 and 31 March 2018. The Group will monitor the reasonableness of the information, assumptions, estimates and judgements used for determining ECL and will update the ECL for latest and enhanced information that may be available without undue cost or effort at every reporting period end.

## 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

### 2.2. New standards, interpretations and amendments adopted by the Group (continued)

No significant changes were noted in financial liabilities as the Group classified all its financial liabilities at amortised under IAS 39 and the same classification has been carried forward under IFRS 9 based on their business model.

*Impact of adopting IFRS 9*

The impact of this change in accounting policy as at 1 January 2018 has been to increase accumulated losses by KD 181,717 and to decrease non-controlling interests by KD 101,111 as follows:

| | *Accumulated losses* | *Non-controlling interests* |
|---|---|---|
| | *KD* | *KD* |
| Closing balance under IAS 39 as at 31 December 2017 | (45,884,980) | 4,849,544 |
| *Impact on recognition of ECL on trade receivables :* | | |
| ECL under IFRS 9 for trade receivables at amortised cost | (181,717) | (101,111) |
| **Total transition adjustment on adoption of IFRS 9 as at 1 January 2018** | **(181,717)** | **(101,111)** |
| Opening balance under IFRS 9 on date of initial application as 1 January 2018 | **(46,066,697)** | **4,748,433** |

*Classification of financial assets on the date of initial application of IFRS 9*

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39:

| *1 January 2018* | *Original classification under IAS 39* | *New classification under IFRS 9* | *Original carrying amount under IAS 39* KD | *Remeasurement ECL* KD | *New carrying amount under IFRS 9* KD |
|---|---|---|---|---|---|
| ***Financial assets:*** | | | | | |
| Equity securities | *AFS* | *FVOCI** | 14,343,269 | - | 14,343,269 |
| Equity securities | *FVPL* | *FVPL* | 6,617,679 | - | 6,617,679 |
| Accounts receivable and other debit balances | *Amortised cost* | *Amortised cost* | 9,120,092 | (282,828) | 8,837,264 |
| Cash and cash equivalents | *Amortised cost* | *Amortised cost* | 1,347,763 | - | 1,347,763 |
| Total financial assets | | | 31,428,803 | (282,828) | 31,145,975 |

## 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

### 2.2. New standards, interpretations and amendments adopted by the Group (continued)

*Classification of financial assets on the date of initial application of IFRS 9 (continued)*

* Based on facts and circumstances that existed at the date of initial application, management determined that investment in equity instruments were not held for purposes of trading and were held for medium to long term strategic purposes. Accordingly, management have elected to designate these investments in equity instruments as FVOCI as they believe that recognising short term fluctuations in the fair value of investments in profit or loss would not be consistent with the Group's strategy of holding these investments for medium to long purposes and realising their performance potential in the long run.

## 3 CASH AND CASH EQUIVALENTS

| | ***31 March 2018 KD*** | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|
| Bank balances and cash | **3,260,251** | 1,247,763 | 2,158,040 |
| Wakala deposits | - | 100,000 | 1,892,678 |
| Cash and cash equivalents as per the interim condensed consolidated statement of financial position | **3,260,251** | 1,347,763 | 4,050,718 |
| Restricted bank balances | **(17,950)** | (138,911) | (318,861) |
| Restricted wakala deposits of more than three months | - | (100,000) | (1,892,678) |
| Cash and cash equivalents as per the interim condensed consolidated statement of cash flows | **3,242,301** | 1,108,852 | 1,839,179 |

Restricted bank balances of KD 17,950 (31 December 2017: KD 138,911 and 31 March 2017: KD 318,861) represent margin deposits secured against letters of guarantee (Note 9).

## 4 MURABAHA PAYABLES

The average cost rate attributable to murabaha payables during the period was 3.5% per annum (31 December 2017: 3.5% per annum and 31 March 2017: 3.5% per annum).

Murabaha facilities are unsecured. Certain murabaha facilities amounting to KD 5,038,557 (31 December 2017: KD 5,867,075 and 31 March 2017: KD 5,881,451) are obtained from the Parent Company (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:

| | *Ultimate Parent Company KD* | *Parent Company KD* | *Entities under common control KD* | ***31 March 2018 KD*** | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|---|---|---|
| Account receivables and other debit balances | - | - | **28,111** | **28,111** | 9,442 | 6,114 |
| Cash and cash equivalents | **193,656** | - | - | **193,656** | 502,324 | 2,101,242 |
| Account payables and other liabilities | - | **423,120** | **36,016** | **459,136** | 506,565 | 25,344 |
| Murabaha payables (Note 4) | - | **5,038,557** | - | **5,038,557** | 5,867,075 | 5,881,451 |

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

| | *Ultimate Parent Company KD* | *Parent Company KD* | *Three months ended 31 March* ***2018 KD*** | *2017 KD* |
|---|---|---|---|---|
| Finance income | **136** | - | **136** | 21,875 |
| Finance costs | - | **30,028** | **30,028** | 12,115 |

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

| | *Ultimate Parent Company KD* | ***31 March 2018 KD*** | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|---|
| Letters of guarantee (Note 9) | - | - | 1,256,561 | 4,817,334 |
| Letters of credit (Note 9) | - | - | 56,000 | 1,063,297 |

***Compensation of key management personnel***

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

| | *Three months ended 31 March* ***2018 KD*** | *2017 KD* |
|---|---|---|
| Short term benefits | **47,501** | 84,327 |
| Termination benefits | **1,574** | 3,644 |
| | **49,075** | 87,971 |

## 6 BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

| | *Three months ended 31 March* | |
|---|---|---|
| | ***2018*** | *2017* |
| | ***KD*** | *KD* |
| Loss for the period attributable to equity holders of the Company | **(62,804)** | (304,509) |
| | ***Shares*** | *Shares* |
| Weighted average number of outstanding shares | **750,000,000** | 750,000,000 |
| **Basic and diluted loss per share attributable to equity holders of the Company (fils)** | **(0.08)** | (0.41) |

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

## 7 FAIR VALUES MEASUREMENT 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, other assets, account receivables and other debit balances and cash and cash equivalents.

Financial liabilities consist of account payables and other liabilities 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.

***Financial instruments***

The Group held the following financial instruments that are fair valued as at the reporting date in the interim condensed consolidated statement of financial position:

| ***31 March 2018*** | *Level 1 KD* | *Level 2 KD* | ***Total KD*** |
|---|---|---|---|
| *Financial assets* | | | |
| *Financial assets at fair value through other comprehensive income* | | | |
| Equity securities | **372,117** | **14,000,000** | **14,372,117** |
| *Financial assets at fair value through profit or loss* | | | |
| Unquoted fund | - | **6,997,744** | **6,997,744** |
| | **372,117** | **20,997,744** | **21,369,861** |

## 7 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

| | *Level 1* *KD* | *Level 2* *KD* | *Total* *KD* |
|---|---|---|---|
| *31 December 2017(Audited)* | | | |
| *Financial assets* | | | |
| *Financial assets available-for-sale* | | | |
| Quoted equity securities | 343,269 | - | 343,269 |
| *Financial assets at fair value through profit or loss* | | | |
| Unquoted fund | - | 6,617,679 | 6,617,679 |
| | 343,269 | 6,617,679 | 6,960,948 |

| | *Level 1* *KD* | *Level 2* *KD* | *Total* *KD* |
|---|---|---|---|
| *31 March 2017* | | | |
| *Financial assets* | | | |
| *Financial assets available- for-sale* | | | |
| Quoted equity securities | 350,632 | - | 350,632 |
| *Financial assets at fair value through profit or loss* | | | |
| Unquoted fund | - | 7,781,667 | 7,781,667 |
| | 350,632 | 7,781,667 | 8,132,299 |

There were no transfers between fair values hierarchies during the period ended 31 March 2018.

*Description of significant unobservable inputs to valuation of financial assets:*
Investment in managed fund have 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.

## 8 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 (CBOS) or International Monetary Fund (IMF). The conversion factors used to restate the financial statements of the subsidiary are as follows:

| | **Index** | **Conversion Factor** |
|---|---|---|
| **31 March 2018** | **861.500** | **1.112** |
| 31 December 2017 | 832.926 | 1.106 |
| 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 |

## 8 HYPERINFLATION ADJUSTMENT (continued)

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 257,703 (31 December 2017: KD 1,419,411 and 31 March 2017: KD 692,039) in the books of Higleig, up to 31 March 2018, has been adjusted directly in the interim condensed consolidated statement of changes in equity.

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

| | ***31 March 2018 KD*** | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|
| Property and equipment | **44,158** | 1,265,851 | 454,736 |
| Investment in associate | **-** | (41,386) | - |
| Inventories | **33,442** | 503,172 | 526,997 |
| Other impact on the interim condensed consolidated statement of income and changes in equity | **407,573** | 536,853 | 337,336 |
| | **485,173** | 2,264,490 | 1,319,069 |

**Interim condensed consolidated statement of changes in equity:**

| | ***31 March 2018 KD*** | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|
| **Attributable to:** | | | |
| Equity holders of the Company | **165,574** | 911,972 | 444,635 |
| Non-controlling interests | **92,129** | 507,439 | 247,404 |
| | **257,703** | 1,419,411 | 692,039 |

## 8 HYPERINFLATION ADJUSTMENT (continued)

**Interim condensed consolidated statement of income:**

| | *31 March 2018 KD* | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|
| Equity holders of the Company | **146,149** | 542,963 | 402,867 |
| Non-controlling interests | **81,321** | 302,116 | 224,163 |
| | **227,470** | 845,079 | 627,030 |
| **Total impact of hyperinflation** | **485,173** | 2,264,490 | 1,319,069 |

## 9 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

| | *31 March 2018 KD* | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|
| **Capital commitments:** | | | |
| Commitment towards contribution of fund expenses | **677,794** | 892,735 | 860,172 |
| Financial assets available-for-sale | **6,528,600** | 6,528,600 | 6,601,500 |
| | **7,206,394** | 7,421,335 | 7,461,672 |

| | *31 March 2018 KD* | *(Audited) 31 December 2017 KD* | *31 March 2017 KD* |
|---|---|---|---|
| **Contingent liabilities:** | | | |
| Letters of guarantee (Note 5) | - | 1,256,561 | 4,817,334 |
| Letters of credit (Note 5) | - | 56,000 | 1,063,297 |
| | - | 1,312,561 | 5,880,631 |

Restricted bank balances of KD 17,950 (31 December 2017: KD 138,911 and 31 March 2017: KD 318,861) represented margin deposits that are held as security against letters of guarantee (Note 3).

Wakala deposits with original maturity of more than three months as of 31 March 2018 of Nil (31 December 2017: KD 100,000 and 31 March 2017: KD 1,892,678 represented margin deposits held as a security against the letters of guarantee (Note 3).

## 10 SEGMENT INFORMATION

i) Primary segment information:

For management purposes, the Group is organised into three 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 |
| **Contracting** | : | General Trading and contracting |
| **Others** | : | Investment and other related services. |

**10 SEGMENT INFORMATION (continued)**

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

The following table present revenue and loss information of the Group's operating segments for the three months period ended 31 March 2018 and 31 March 2017, respectively:

| | *Energy* *KD* | *Contracting* *KD* | *Others* *KD* | *Total* *KD* |
|---|---|---|---|---|
| ***31 March 2018*** | | | | |
| Total segment revenues | **291,616** | **296,271** | - | **587,887** |
| Loss for the period | **(334,749)** | **50,628** | **339,919** | **55,798** |
| *31 March 2017* | | | | |
| Total segment revenues | 966,511 | 1,524,558 | - | 2,491,069 |
| Loss for the period | 61,030 | 5,697 | (236,016) | (169,289) |

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2018, 31 December 2017 and 31 March 2017, respectively:

| | *Energy* *KD* | *Contracting* *KD* | *Others* *KD* | *Total* *KD* |
|---|---|---|---|---|
| ***As at 31 March 2018*** | | | | |
| Total segment assets | **21,516,130** | **14,805,729** | **7,051,705** | **43,373,564** |
| Total segment liabilities | **(6,039,946)** | **(3,681,540)** | **(40,694)** | **(9,762,180)** |
| *As at 31 December 2017 (Audited)* | | | | |
| Total segment assets | 19,310,496 | 22,506,469 | 6,631,333 | 48,448,298 |
| Total segment liabilities | (2,882,879) | (11,491,015) | (58,911) | (14,432,805) |
| *As at 31 March 2017* | | | | |
| Total segment assets | 19,535,215 | 23,038,107 | 7,781,667 | 50,354,989 |
| Total segment liabilities | (5,536,584) | (7,944,589) | (40,817) | (13,521,990) |

## 10 SEGMENT INFORMATION (continued)

ii) Secondary segment information:

For management purposes, the Group is divided into three main geographical segments that are: a) State of Kuwait, b) Middle East and North Africa (MENA) and c) outside MENA where the Group performs its main activities in the energy sector and contracting.

| | *31 March 2018* | | | | *31 March 2017* | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Kuwait*** | ***MENA*** | ***Outside MENA*** | ***Total*** | *Kuwait* | *MENA* | *Outside MENA* | *Total* |
| | ***KD*** | ***KD*** | ***KD*** | ***KD*** | *KD* | *KD* | *KD* | *KD* |
| Segment revenue | **-** | **587,887** | **-** | **587,887** | - | 2,491,069 | - | 2,491,069 |
| Segment results | **(714,846)** | **430,725** | **339,919** | **55,798** | (595,780) | 662,508 | (236,017) | (169,289) |

During the current period, the Group changed the classification of its segment information between primary and secondary information.

## 11 DISCONTINUED OPERATIONS

During the period, the Company sold its 90% equity interest in KDDB General Trading & Contracting Company W.L.L ("KDDB") for a total consideration of KD 2,610,000 which resulted in a loss of KD 115,634 recognised in the interim condensed consolidated statement of income for the three-month period ended 31 March 2018, concluding the sale agreement.

KDDB was not previously classified as held-for-sale or as a discontinued operation. The comparative interim condensed consolidated statements of income and other comprehensive income has been represented to show discontinued operations separately from continuing operations.

The details of the consideration paid and the fair values of the assets and liabilities sold, equivalent to their carrying values, as at 27 February 2018, are summarised as follows:

| | ***2018*** |
|---|---|
| | ***KD*** |
| **ASSETS** | |
| Property and equipment | **1,999,984** |
| Inventories | **337,662** |
| Accounts receivable and other debit balances | **3,860,662** |
| Cash and cash equivalents | **256,574** |
| Total assets transferred | **6,454,882** |
| **LIABILITIES** | |
| Employees' end of service benefits | **(253,396)** |
| Accounts payable and other liabilities | **(3,072,847)** |
| Murabaha payables | **(858,546)** |
| Total liabilities transferred | **(4,184,789)** |
| Net assets transferred | **2,270,093** |
| Cash consideration received | **2,610,000** |
| Non-controlling interests | **(455,541)** |
| Loss on disposal of a subsidiary | **(115,634)** |

**11 DISCONTINUED OPERATIONS (continued)**

Net cash inflow arising on disposal:

| | *2018* |
|---|---|
| | *KD* |
| Cash consideration received | **2,610,000** |
| Cash and bank balances disposed off | **(256,574)** |
| | **2,353,426** |