

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

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

30 SEPTEMBER 2018

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 2018 and the related interim condensed consolidated statement of income, 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.

Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, 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 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

30 October 2018
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 2018

	Notes	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
ASSETS				
Non-current assets				
Property and equipment		3,178,576	7,860,767	7,134,092
Investment property		4,733,408	6,367,561	3,585,689
Investment in associates		412,681	594,266	1,795,955
Financial assets available-for-sale		-	14,343,269	14,359,897
Financial assets at fair value through other comprehensive income		14,171,622	-	-
Financial assets at fair value through profit or loss		6,383,972	6,617,679	7,194,524
		<u>28,880,259</u>	<u>35,783,542</u>	<u>34,070,157</u>
Current assets				
Inventories		1,291,581	2,196,901	3,137,994
Account receivables and other debit balances		7,190,243	9,120,092	8,849,716
Cash and cash equivalents	3	2,218,896	1,347,763	1,275,458
		<u>10,700,720</u>	<u>12,664,756</u>	<u>13,263,168</u>
TOTAL ASSETS		<u>39,580,979</u>	<u>48,448,298</u>	<u>47,333,325</u>
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		(3,952,492)	(170,189)	(157,011)
Fair value reserve		92,449	52,873	46,112
Accumulated losses		(44,923,778)	(45,884,980)	(44,730,078)
Equity attributable to equity holders of the Company		<u>26,496,412</u>	<u>29,165,948</u>	<u>30,327,267</u>
Non-controlling interests		4,392,896	4,849,545	4,407,618
Total equity		<u>30,889,308</u>	<u>34,015,493</u>	<u>34,734,885</u>
Liabilities				
Non-current liability				
Employees' end of service benefits		201,706	524,455	507,801
Current liabilities				
Account payables and other liabilities		3,355,827	7,783,076	5,996,517
Murabaha payables	4	5,134,138	6,125,274	6,094,122
		<u>8,489,965</u>	<u>13,908,350</u>	<u>12,090,639</u>
Total liabilities		<u>8,691,671</u>	<u>14,432,805</u>	<u>12,598,440</u>
TOTAL EQUITY AND LIABILITIES		<u>39,580,979</u>	<u>48,448,298</u>	<u>47,333,325</u>

Ahmed Eissa Al-Sumait
Chairman

Hamad A. Al-Qantani
Chief Executive Officer

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

The Energy House Holding Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the period ended 30 September 2018

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2018 KD	2017 KD	2018 KD	2017 KD
CONTINUING OPERATIONS					
REVENUE					
Contract revenue		1,447,744	1,283,443	2,279,175	3,832,171
Services revenue		1,124,521	553,365	2,641,264	1,747,895
		<u>2,572,265</u>	<u>1,836,808</u>	<u>4,920,439</u>	<u>5,580,066</u>
COST OF REVENUE					
Contract costs		(1,306,274)	(698,641)	(2,117,441)	(2,392,887)
Services costs		(932,370)	(674,780)	(2,052,998)	(1,757,166)
		<u>(2,238,644)</u>	<u>(1,373,421)</u>	<u>(4,170,439)</u>	<u>(4,150,053)</u>
GROSS PROFIT		333,621	463,387	750,000	1,430,013
Other income		3,802	32,835	4,738	125,477
Finance income		1,019	1,995	3,216	23,870
Rental income		-	54,222	433	164,774
Unrealised loss on financial assets at fair value through profit or loss		(605,310)	(170,511)	(256,388)	(672,324)
Share of results of associates		(46,809)	(50,548)	268,297	54,573
Loss on sale of a subsidiary	11	-	-	(115,634)	-
Allowance for impairment of receivables		751	(261,586)	(4,304)	(669,277)
Staff costs		(291,924)	(334,665)	(701,835)	(1,068,246)
General and administration expenses		(213,204)	(365,916)	(833,643)	(1,224,004)
Finance costs		(34,557)	(53,713)	(90,759)	(153,710)
Foreign exchange differences		508,966	(793,194)	2,062,646	122,414
OPERATING INCOME (LOSS)		(343,645)	(1,477,694)	1,086,767	(1,866,440)
Monetary gain from hyperinflation	8	72,692	448,375	177,789	1,048,253
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO TAX		(270,953)	(1,029,319)	1,264,556	(818,187)
Taxation on foreign operations		113,705	(30,865)	(146,110)	(265,971)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE CONTRIBUTION TO NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		(157,248)	(1,060,184)	1,118,446	(1,084,158)
NLST		5,096	-	(25,893)	-
Zakat		2,039	-	(10,357)	-
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(150,113)	(1,060,184)	1,082,196	(1,084,158)
DISCONTINUED OPERATIONS					
Loss for the period from discontinued operations		-	(1,756,657)	(359,367)	(2,871,693)
PROFIT (LOSS) FOR THE PERIOD		(150,113)	(2,816,841)	722,829	(3,955,851)
Attributable to:					
Equity holders of the Company		(343,582)	(2,492,474)	94,152	(3,873,887)
Non-controlling interests		193,469	(324,367)	628,677	(81,964)
		<u>(150,113)</u>	<u>(2,816,841)</u>	<u>722,829</u>	<u>(3,955,851)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	6	<u>(0.46) fils</u>	<u>(3.32) fils</u>	<u>0.13 fils</u>	<u>(5.17) fils</u>

The attached notes from 1 to 11 form an integral part of this 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 2018

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2018	2017	2018	2017
	KD	KD	KD	KD
Profit (loss) for the period	(150,113)	(2,816,841)	722,829	(3,955,851)
Other comprehensive (loss) income:				
<i>Items that are (or) may be reclassified subsequently to the interim condensed consolidated statement of income</i>				
Share of associates' reserves	-	-	-	3,544
Net exchange differences on translation of foreign operations	95,898	(567,261)	(5,889,948)	1,117,712
	95,898	(567,261)	(5,889,948)	1,121,256
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Fair value gain on financial assets at fair value through other comprehensive income	(22,149)	-	61,597	-
Total other comprehensive (loss) income for the period	73,749	(567,261)	(5,828,351)	1,121,256
Total comprehensive loss for the period	(76,364)	(3,384,102)	(5,105,522)	(2,834,595)
Attributable to:				
Equity holders of the Company	(260,920)	(2,896,621)	(3,648,575)	(3,207,245)
Non-controlling interests	184,556	(487,481)	(1,456,947)	372,650
	(76,364)	(3,384,102)	(5,105,522)	(2,834,595)

The attached notes from 1 to 11 form an integral part of this 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 2018

	<i>Notes</i>	<i>Nine months ended 30 September</i>	
		2018	2017
		KD	KD
OPERATING ACTIVITIES			
Profit (loss) for the period from continuing operations		1,264,556	(818,187)
Loss for the period from discontinued operations		(359,367)	(2,871,693)
Profit (loss) for the period before contribution to tax		905,189	(3,689,880)
Adjustments to reconcile profit (loss) for the period before contribution to tax to net cash flows:			
(Loss) gain from sale of property and equipment		43,582	(27,432)
Finance income		(3,216)	(23,870)
Loss on sale of a subsidiary	11	115,634	-
Rental income		(433)	(164,774)
Unrealised loss on financial assets at fair value through profit or loss		256,388	672,324
Share of results of associates		(268,297)	(54,573)
Allowance for impairment of receivables		4,304	769,277
Employees' end of service benefits provided		34,262	81,764
Depreciation		556,170	904,427
Finance costs		90,759	188,126
Foreign exchange differences		(2,062,646)	(122,414)
Monetary gain from hyperinflation		(177,789)	(1,048,253)
		(506,093)	(2,515,278)
Working capital adjustments:			
Inventories		769,804	(503,671)
Account receivables and other debit balances		(416,299)	6,838
Account payables and other liabilities		(1,275,762)	(2,342,373)
Cash flows used in operations		(1,428,350)	(5,354,484)
Employees' end of service benefits paid		(297)	(268,339)
Net cash flows used in operating activities		(1,428,647)	(5,622,823)
INVESTING ACTIVITIES			
Proceeds from disposal of a subsidiary	11	2,353,426	-
Purchase of property and equipment		(180,560)	(601,174)
Proceeds from sale of property and equipment		329,141	299,293
Net movement in restricted bank balances and deposits		225,162	2,011,265
Rental income received		433	164,774
Net cash flows from investing activities		2,727,602	1,874,158
FINANCING ACTIVITIES			
Finance costs paid		(21,923)	(34,415)
Finance income received		3,216	23,870
Repayment of murabaha payables		(84,459)	(321,243)
Net cash flows used in financing activities		(103,166)	(331,788)
Effect of foreign currency translation and hyperinflation adjustments		(99,494)	2,050,558
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,096,295	(2,029,895)
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	2,205,147	1,036,149

The attached notes from 1 to 11 form an integral part of this 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 2018

Attributable to the 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	4,849,545	34,015,493
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	4,748,434	33,732,665
Profit for the period	-	-	-	-	-	-	-	94,152	94,152	628,677	722,829
Other comprehensive income for the period	-	-	-	-	-	(3,782,303)	39,576	-	(3,742,727)	(2,085,624)	(5,828,351)
Total comprehensive (loss) income for the period	-	-	-	-	-	(3,782,303)	39,576	94,152	(3,648,575)	(1,456,947)	(5,105,522)
Hyperinflation adjustments (Note 8)	-	-	-	-	-	-	-	1,160,756	1,160,756	645,868	1,806,624
Discontinued operations (Note 11)	-	-	-	-	111,989	-	-	(111,989)	-	455,541	455,541
As at 30 September 2018	75,000,000	193,550	472,723	314,957	(700,997)	(3,952,492)	92,449	(44,923,778)	26,496,412	4,392,896	30,889,308
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	-	-	-	-	-
Hyperinflation adjustments (Note 8)	-	-	-	-	-	666,642	-	(3,873,887)	(3,207,245)	372,650	(2,834,595)
As at 30 September 2017	75,000,000	193,550	472,723	314,957	(812,986)	(157,011)	46,112	(44,730,078)	30,327,267	4,407,618	34,734,885

The attached notes from 1 to 11 form an integral part of this 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 and for the period ended 30 September 2018

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 on 23 May 2005.

The Company's registered office is located at Al Enmaa Tower, Mirqab, 14th floor, Kuwait City and its registered postal address is P.O. Box 21909, Safat 13080, State of Kuwait.

The Company's principal activities are, as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or companies with limited liability, or establishing, managing, lending and sponsoring such companies;
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20%;
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such as rights for the benefit of the Company inside or outside the State of Kuwait;
- Owning 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 Boursa Kuwait.

The interim condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the nine-month period ended 30 September 2018 were authorised for issuance in accordance with a resolution of the Board of Directors of the Company on 30 October 2018.

The Annual General Assembly meeting (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 then ended; 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 nine-month period ended 30 September 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 30 September 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 the 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 change in accounting policy detailed below for adoption of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments from 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group's adoption of IFRS 15 under modified retrospective method had no material impact on this interim condensed consolidated financial information of the Group.

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 30 September 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 30 September 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 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;

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

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 and measurement of financial assets (continued)

- 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 30 September 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.

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 resulted in an increase accumulated losses by KD 181,717 and decrease non-controlling interests by KD 101,111 as follows:

	<i>Accumulated losses KD</i>	<i>Non-controlling interests KD</i>
Balance under IAS 39 as at 31 December 2017	(45,884,980)	4,849,545
<i>Impact on recognition of ECL on trade receivables:</i>		
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)
Balance under IFRS 9 on date of initial application as 1 January 2018	(46,066,697)	4,748,434

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

As at and for the period ended 30 September 2018

**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

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

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

* 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

For the purpose of the interim condensed consolidated statement of cashflows, cash and cash equivalents are comprised of the following:

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Bank balances and cash	2,218,896	1,247,763	1,175,458
Wakala deposits	-	100,000	100,000
Cash and cash equivalents as per the interim condensed consolidated statement of financial position	2,218,896	1,347,763	1,275,458
Restricted bank balances	(13,749)	(138,911)	(139,309)
Restricted wakala deposits with maturity of more than three months	-	(100,000)	(100,000)
Cash and cash equivalents as per the interim condensed consolidated statement of cash flows	2,205,147	1,108,852	1,036,149

Cash and cash equivalents attributable to discontinued operations amounts to KD 256,574 (31 December 2017: KD 453,014 and 30 September 2017: KD 268,098).

Restricted bank balances of KD 13,749 (31 December 2017: KD 138,911 and 30 September 2017: KD 139,309) represent margin deposits secured against letters of guarantee (Note 9).

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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 30 September 2017: 3.5% per annum).

Murabaha facilities are unsecured. Certain murabaha facilities amounting to KD 5,098,548 (31 December 2017: KD 5,867,075 and 30 September 2017: KD 5,837,929) 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:

	<i>Ultimate Parent Company KD</i>	<i>Parent Company KD</i>	<i>Entities under common control KD</i>	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Account receivables and other debit balances	-	-	691,916	691,916	9,442	8,768
Cash and cash equivalents	149,927	-	-	149,927	502,324	516,687
Account payables and other liabilities	-	285,432	45,420	330,852	506,565	523,005
Murabaha payables (Note 4)	-	5,098,548	-	5,098,548	5,867,075	5,837,929

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

	<i>Ultimate Parent Company KD</i>	<i>Parent Company KD</i>	<i>Nine months ended 30 September</i>	
			<i>2018 KD</i>	<i>2017 KD</i>
Finance income	229	-	229	24,358
Finance costs	-	90,019	90,019	(138,720)

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

	<i>Ultimate Parent Company KD</i>	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Letters of guarantee (Note 9)	-	-	1,256,561	1,256,561
Letters of credit (Note 9)	-	-	56,000	1,162,248

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5 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2018	2017	2018	2017
	KD	KD	KD	KD
Short term benefits	76,672	92,868	177,987	326,446
Termination benefits	2,794	7,023	7,136	18,025
	79,466	99,891	185,123	344,471

6 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2018	2017	2018	2017
	KD	KD	KD	KD
Profit (loss) for the period attributable to equity holders of the Company	(343,582)	(2,492,474)	94,152	(3,873,887)
	Shares	Shares	Shares	Shares
Weighted average number of outstanding shares	750,000,000	750,000,000	750,000,000	750,000,000
Basic and diluted earnings (loss) per share attributable to equity holders of the Company	(0.46) fils	(3.32) fils	0.13 fils	(5.17) fils

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

7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, account receivables and other debit balances and cash and cash equivalents.

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

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7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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 following table provides the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
30 September 2018				
Financial assets measured at fair value				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	171,622	-	14,000,000	14,171,622
<i>Financial assets at fair value through profit or loss</i>				
Unquoted fund	-	6,383,972	-	6,383,972
	<u>171,622</u>	<u>6,383,972</u>	<u>14,000,000</u>	<u>20,555,594</u>
31 December 2017 (Audited)				
Financial assets measured at fair value				
<i>Financial assets available-for-sale</i>				
Quoted equity securities		343,269	-	343,269
<i>Financial assets at fair value through profit or loss</i>				
Unquoted fund		-	6,617,679	6,617,679
		<u>343,269</u>	<u>6,617,679</u>	<u>6,960,948</u>
30 September 2017				
Financial assets measured at fair value				
<i>Financial assets available-for-sale</i>				
Quoted equity securities		359,897	-	359,897
<i>Financial assets at fair value through profit or loss:</i>				
Unquoted fund		-	7,194,524	7,194,524
		<u>359,897</u>	<u>7,194,524</u>	<u>7,554,421</u>

The above table does not include certain equity securities amounting to KD 14,000,000 and KD 14,000,000 as at 31 December 2017 and 30 September 2017, respectively, that do not have a quoted price in active markets and whose fair value cannot be reliably measured.

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7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

As at 30 September 2018, certain equity securities amounting to KD 14,000,000 has liquidity discount of 50% applied to the valuation, considering the nature of the industry.

The management assessed that the fair values of cash and cash equivalents, accounts receivables, accounts payable and other liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

There were no transfers between levels within the fair value hierarchy during the period ended 30 September 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 ADJUSTMENTS

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 Hagleig, 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
30 September 2018	1,223.332	1.210
30 June 2018	1,125.100	1.254
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

The above mentioned restatement has been accounted for as follows:

- 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;
- 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;
- 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;
- All items in the income statement are restated by applying the relevant quarterly average or year-end conversion factors; and
- 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 Energy House Holding Company K.S.C.P. and its Subsidiaries

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8 HYPERINFLATION ADJUSTMENTS (continued)

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 1,806,624 (31 December 2017: KD 1,419,411 and 30 September 2017: KD 1,395,749) in the books of Higleig, up to 30 September 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:

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Property and equipment	1,966,118	1,043,840	615,965
Investment in associate	54,360	(41,386)	-
Inventories	202,146	503,172	1,160,954
Other impact on the interim condensed consolidated statements of income and changes in equity	(238,211)	758,864	667,083
	<u>1,984,413</u>	<u>2,264,490</u>	<u>2,444,002</u>

Interim condensed consolidated statement of changes in equity:

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Attributable to:			
Equity holders of the Company	1,160,756	911,972	896,769
Non-controlling interests	645,868	507,439	498,980
	<u>1,806,624</u>	<u>1,419,411</u>	<u>1,395,749</u>

Interim condensed consolidated statement of income:

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Equity holders of the Company	114,229	542,963	673,503
Non-controlling interests	63,560	302,116	374,750
	<u>177,789</u>	<u>845,079</u>	<u>1,048,253</u>
Total impact of hyperinflation	<u>1,984,413</u>	<u>2,264,490</u>	<u>2,444,002</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

9 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Capital commitments:			
Commitment towards contribution of fund expenses	586,872	892,735	775,274
Financial assets available-for-sale	6,552,900	6,528,600	6,520,500
	<u>7,139,772</u>	<u>7,421,335</u>	<u>7,295,774</u>
	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
Contingent liabilities:			
Letters of guarantee (Note 5)	-	1,256,561	1,256,561
Letters of credit (Note 5)	-	56,000	1,162,248
	<u>-</u>	<u>1,312,561</u>	<u>2,418,809</u>

Restricted bank balances of KD 13,749 (31 December 2017: KD 138,911 and 30 September 2017: KD 139,309) represented margin deposits that are held as security against letters of guarantee (Note 3).

Wakala deposits with original maturities of more than nine months as of 30 September 2018 of Nil (31 December 2017: KD 100,000 and 30 September 2017: KD 100,000) 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.

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 nine months period ended 30 September 2018 and 30 September 2017, respectively:

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10 SEGMENT INFORMATION (continued)

i) Primary segment information: (continued)

	<i>Energy KD</i>	<i>Contracting KD</i>	<i>Others KD</i>	<i>Total KD</i>
30 September 2018				
Total segment revenues	2,641,264	2,279,175	-	4,920,439
Profit for the period	(359,769)	1,444,780	(362,182)	722,829
30 September 2017				
Total segment revenues	1,747,895	3,832,171	-	5,580,066
Loss for the period	(859,182)	(2,311,385)	(785,284)	(3,955,851)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2018, 31 December 2017 and 30 September 2017, respectively:

	<i>Energy KD</i>	<i>Contracting KD</i>	<i>Others KD</i>	<i>Total KD</i>
As at 30 September 2018				
Total segment assets	18,890,617	14,203,211	6,487,151	39,580,979
Total segment liabilities	(6,589,462)	(2,067,077)	(35,132)	(8,691,671)
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 30 September 2017				
Total segment assets	24,090,896	16,022,885	7,219,544	47,333,325
Total segment liabilities	(9,702,610)	(2,860,792)	(35,038)	(12,598,440)

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.

	30 September 2018				30 September 2017			
	<i>Kuwait KD</i>	<i>MENA KD</i>	<i>Outside MENA KD</i>	<i>Total KD</i>	<i>Kuwait KD</i>	<i>MENA KD</i>	<i>Outside MENA KD</i>	<i>Total KD</i>
Segment revenue	-	4,920,439	-	4,920,439	-	5,580,066	-	5,580,066
Segment results	(896,541)	1,981,552	(362,182)	722,829	(3,420,151)	249,585	(785,285)	(3,955,851)

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

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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 nine-month period ended 30 September 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 have 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 presented below:

	<i>2018</i> <i>KD</i>
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	<u>6,454,882</u>
LIABILITIES	
Employees' end of service benefits	(253,396)
Accounts payable and other liabilities	(3,072,847)
Murabaha payables	(858,546)
Total liabilities transferred	<u>(4,184,789)</u>
Net assets transferred	2,270,093
Cash consideration received	2,610,000
Non-controlling interests	(455,541)
Loss on disposal of a subsidiary	<u><u>(115,634)</u></u>

Net cash inflow arising on disposal:

	<i>2018</i> <i>KD</i>
Cash consideration received	2,610,000
Cash and bank balances sold as part of discontinued operations	(256,574)
	<u><u>2,353,426</u></u>