2018
ANNUAL REPORT

ENERGY HOUSE

The Energy House Holding Co. شركة بيت الطاقة القابضة

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SABAH AL AHMAD AL JABER AL SABAH

THE AMIR OF THE STATE OF KUWAIT

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THE CROWN PRINCE

ABOUT ENERGY HOUSE

COMPANY INFORMATION

The Energy House Holding Company K.S.C.P. ("Energy House" or "Company") is a Kuwaiti shareholding company listed on the Kuwaiti Stock Exchange specialized in the field of investments in medium-sized entities in the Energy Sector. Development Enterprises Holding Co. K.S.C.C ("DEH") (fully owned by Kuwait Finance House) is the parent company by virtue of its acquisition in August 2012 and holding 95.77% equity interest in the Company. Energy House spearheads DEH's objectives in the strategically important and fast-growing energy business sector.

The ultimate parent company, Kuwait Finance House ("KFH") being a leading Islamic bank listed on the Kuwait Stock Exchange is one of the largest financial institutions in the region with diversified investments that have contributed to the country's development and maintained regional and international alliances.

OUR BUSINESS

Energy House is a Sharia compliant investment holding company, playing an active investor role into the medium to long-term holding horizons. The company adheres to a clear investment philosophy with defined geographical scope and planned financial targets.

With its clearly defined strategy, the company continues to harness and develop its portfolio to maximize synergies and opportunities, to strengthen its capabilities as part of its ongoing efforts to become the leading energy investment company in the region. The company has managed to acquire controlling stake in number of energy companies in the services sector with operations spreading over different regions.

CORPORATE STATEMENTS

Regional leader and most trusted Sharia compliant investment holding company in energy sector

Capitalize on our regional and global experience to develop, acquire and manage investments in Energy Sector that have potential for value creation, growth, and optimum risk exposure to enhance our stakeholders' interest.

We adhere to a clear set of values, which involves creating economic value by addressing society's needs and challenges, that will drive our operating principles, business ambitions and the way we are working to achieve economic success.

BOARD OF DIRECTORS

Ahmed E. Al-Sumait
Chairman

Abdullah K. AbuHadedah
Vice Chairman

Yousef K. Al-Qabandi
Board Member

Abdulrahman S. Al-Barjas
Board Member

Yasser A. Al-Kulaib
Board Member

EXECUTIVE MANAGEMENT

Hamad A. AlQahtani
Chief Executive Officer

Sameer M. Al-Tawil
Chief Financial Officer

Hamad Alturkait
Head of Asset Management

CHAIRMAN MESSAGE

In the name of Allah, the most compassionate, the most merciful,

Thanks be to Allah the Lord of all beings, and prayer and peace be upon the most prominent messenger,

Honorable Shareholders of The Energy House Holding Company, we welcome and thank you for attending.

On behalf of the Board of Directors, we are pleased to present to the Company's Shareholders' Annual General Assembly, the eleventh annual report of The Energy House Holding Company K.S.C.P ("Energy House"), which reviews the key developments and achievements of the Company during the year ended 31 December 2018, as well as the financial performance of the Company for the year then ended.

GCC markets have recorded an annual growth rate of 12% in 2018, compared to other global markets. The year 2018 has witnessed the best aggregate performance of GCC indices during the last five years, as well as the growth of the Kuwaiti market after the upgrade from secondary markets to emerging markets.

There is no doubt that the continued growth in oil prices during the first half of 2018 has boosted the revenues in the GCC and thus the disbursements capabilities in the domestic economies.

The increase in oil prices, among other factors, is due to the lower oil production in Venezuela, the growth in global demand and the impact of international policy towards one of the major exporters in the Gulf region. The increase in oil prices has enhanced the government spending and the possibility of achieving distinctive economic results accordingly.

Economic reform is one of the main pillars that Kuwait has adopted over the last two years in establishing a strong economy and maximizing the country's economic, social and political capabilities. The procedures taken by the government in various sectors revealed an integrated system, and the new positive outlook has its objective reasons to move forward with the implementation of the projects under 2035 vision, particularly in the areas of infrastructure in Kuwait.

In this sense, the company's focus during 2018 was mainly on reducing the operational losses, maintaining the quality of the company's portfolio and achieving a gradual increase of its investment portfolio by acquiring the assets that are capable of creating an added value, taking into consideration the main objective of enhancing the company's investments and increasing the value to the shareholders.

The company made continuous efforts to protect these investments by studying the company's investment portfolio to determine the feasibility of each investment and identifying the investments that should be sold in the coming years according to a well thought out plan, using specialized institutions in this field.

In this context, the company restructured the parent company and the subsidiaries by strengthening the administrative structure of the company with qualified national employees who are capable of achieving the desired results to maximize the value added to the shareholders of the company, as well as, supporting the company's representatives in the boards of its subsidiaries to maximize the value added at the group companies' level, and to improve the operational performance for these companies through effective control and decision support.

The results of The Energy House Holding Company for the year ended 31 December 2018 reflect a profit attributable to the Parent Company's shareholders of KD 80 thousand compared to a loss of KD (5.044) million for the year ended 31 December 2017, a decrease of 102% compared to the previous year.

The company's management strives to exit from the investments that are not well performing, and to invest the proceeds of exiting in cash-generating entities in the energy sector which will add value to the shareholders of the company. During 2018, the Group exited from one of its non-cash-generating local investments which had a positive impact on the Group's financial results during the year.

In conclusion, I would like to extend my thanks, deep appreciation and gratitude to the members of the Board of Directors, Sharia Advisor, the Executive Management for their support and efforts, employees of the Company for their hard work and to all of the Shareholders of the Energy House, who have shown confidence and continued support to our initiatives that seek to achieve the best results and continuous progress.

May Allah's peace, blessings and mercy be upon you.

Ahmed E. Al-Sumait
Chairman

MANAGEMENT REPORT

The management report reflects the Group's performance during the fiscal year 2018 and the financial position as at 31 December 2018. The analysis is based on the audited financial statements for the fiscal year 2018.

SUMMARY OF FINANCIAL PERFORMANCE

The consolidated financial statements showed a significant improvement in the results of the Group during 2018 compared to the results of the past four years, despite the slight decrease in the operating level of the subsidiaries. The gross profit amounted to KD 1.472 million during 2018 compared to KD 1.519 million in 2017, a decrease of 6%. The consolidated profit of KD 877 thousand in 2018 compared to a consolidated loss of KD (4.681) million in 2017. The increase in the consolidated profit is due to the following:

- The decrease in losses from discontinued operations of KD 2,670 million during 2018 compared to 2017.
- Recognition of income resulting from foreign currency exchanges differences of KD 2.355 million during 2018.
- The increase in the share of the results from associates of KD 197 thousand during 2018 compared to 2017.
- The decrease in impairment losses and provisions of KD 1,374 million during 2018 compared to 2017.
- Recognition of losses on sale of a subsidiary of KD 115 thousand during 2018.

The decrease in the consolidated revenue was 18%, offset by 21% decrease in cost of revenue is due to the improvement in the operational results at the Group level in both UAE and Sudan against the huge devaluation in the Sudanese Pound against USD, which has a significant impact on the decrease of the operating revenue in Sudan.

The unrealized gain from operating in one of the hyperinflation economies' countries (Sudan) amounted to KD 295 thousand in 2018 as compared to gain of KD 845 thousand in 2017.

The proposed Board of Directors remuneration for 2018 amounted to KD 25,000 (2017 - KD 25,000), subject to the approval of the Company's Shareholders' Annual General Assembly. The Board of Directors also proposed not to distribute cash dividends for 2018.

Salaries and wages of the Executive Management of the Energy House Holding Company amounted to KD 129 thousand for 2018. The provision for employees' bonus for 2018 amounted to KD 53 thousand (2017 - KD 35 thousand)

BUSINESS RESULTS

The following is a brief comparison for selected financial highlights of the Group for the years between 2016 to 2018:

KD Million	2018	2017	Change	%	2016
Revenue	6.57	8.05	(1.48)	(18%)	13.11
Gross Profit (Loss)	1.43	1.52	(0.09)	(6%)	(5.29)
Other income	0.00	0.72	(0.71)	(100%)	0.54
Staff cost	(0.98)	(1.42)	0.43	(31%)	2.00
General & Admin Exp.	(1.19)	(1.76)	0.57	(33%)	1.82
Consolidated profit (loss) for the year	0.88	(4.68)	5.56	(119%)	(21.04)
Profit (loss) attributable to NCI	0.80	0.36	0.43	119%	(1.05)
Profit (loss) per share (Fils)	0.11	(6.73)	6.83	(102%)	(26.66)

THE CONSOLIDATED FINANCIAL POSITION

Total assets of the Group amounted to KD 33.72 million as at 31 December 2018 compared to KD 48.49 million in 2017, a decrease of KD 14.73 million or 30%. The decrease is mainly due to the exit from one of the subsidiaries operating in Kuwait during the year, in addition to recognition of loss from translating the financial statements of a subsidiary operating in Sudan.

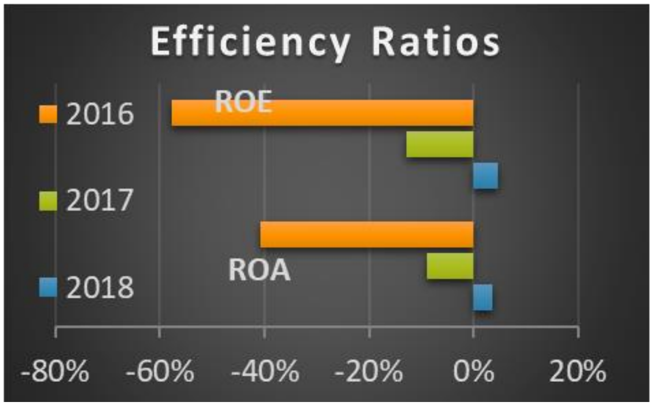
Total equity attributable to the shareholders of the parent company amounted to KD 23.51 million as at 31 December 2018 compared to KD 29.17 million in 2017, a decrease of KD 5.65 million or 19%.

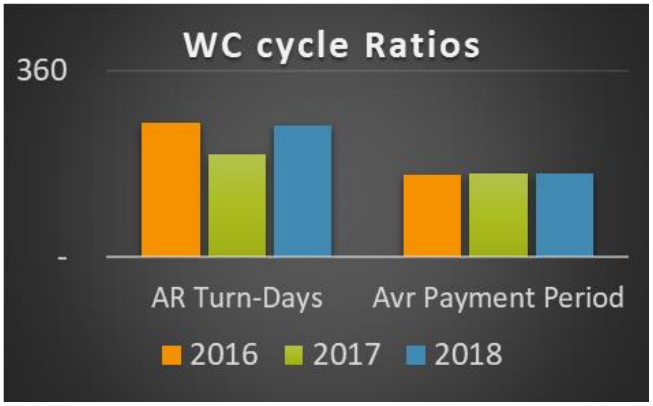
The book value of the company's shares decreased to 31 fils as at 2018 compared to a book value of 39 fils at 2017. The Market value of the company's share which listed in Boursa Kuwait 36 fils per share at the end of 2018 compared to a market value of 30 fils per share at the end of 2017.

Non-controlling interests amounted to KD 2.56 million as at 31 December 2018 compared to KD 4.85 million in 2017, decrease of KD 2.29 million or 47%.

FINANCIAL RATIOS

The following are the major financial ratios of the consolidated financial statements.





Related Party Transactions

The most significant transactions with related parties are with the major shareholder (Development Enterprises Holding Company), the Parent company of the Group (KFH) as well as the transactions with subsidiaries and associates. All transactions with related parties are pre-approved and have been made in the regular course of the Group's activities.

AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards **(IFRS)** issued by the International Accounting Standards Board **(IASB),** interpretations issued by the International Financial Reporting Interpretations Committee **(IFRIC)** and the requirements of the Companies law No.1 of 2016 and its Executive Regulations.

The consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation at fair value of investment property, investments at fair value through other comprehensive income and investments at fair value through income statement.

The consolidated financial statements of the Company were audited by EY-Kuwait (Al Aiban Al Osaimi & Partners) which issued his report on 5 March 2019, which stipulates the following:

- ✓ The consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and consolidated cash flows for the year then ended are in accordance with the International Financial Reporting Standards **(IFRS)**.
- ✓ The consolidated financial statements include the information provided by the Company's Law No. 1 of 2016, as amended, and its executive regulations. The financial information in Board of Directors' report is in accordance with the Company's books of account. To the best of his knowledge and belief, no violations of the Companies' Law No.1 of 2017, as amended, and its executive regulations or the Articles of Association of the Company that might have had a material effect on the Company's activity or its consolidated financial position as at 31 December 2018.

SHAREAA REPORT

التاريخ : ٠٥ مارس ٢٠١٩

السادة/ مساهمي شركة بيت الطاقة القابضة المحترمين

شركة مساهمة كويتية عامة

تحية طيبة، وبعد،،،

الموضوع/ تقرير هيئة الفتوى والرقابة الشرعية

بعد اطلاع الهيئة على البيانات المالية لشركة بيت الطاقة القابضة، وبناء على تقرير المراقب الشرعي، فإن الهيئة تقر بأن أنشطة وأعمال الشركة خلال السنة المالية المنتهية في تاريخ ٣١ ديسمبر ٢٠١٨ موافقة لأحكام الشريعة الإسلامية.

أعضاء الهيئة	التوقيع
أ.د/ سيد محمد سيد عبدالرزاق الطبطبائي	
د/عصام الغريب	
أ.د/مبارك جزاء الحربي	

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE ENERGY HOUSE HOLDING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of The Energy House Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter identified below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE ENERGY HOUSE HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Valuation of investment securities

The fair value of investment securities is determined through application of valuation techniques which often involve exercise of judgment by the management and use of assumptions and estimates, most predominantly for the instruments classified under level 3. Key inputs used in the valuation of level 3 investments are market comparable data, expected cash flows, risk free rates and credit spreads. Due to significance of such investment securities carried at fair value and related estimation uncertainty, this is considered a key audit matter. The Group's policies on valuation of investment securities carried at fair values are given in Note 2.3 to the consolidated financial statements.

As part of our audit procedures, we have tested the level 1 fair valuations by comparing the fair values applied by the Group with publicly available market data. For all level 3 investment securities carried at fair value, amongst others, we assessed the methodology and tested the appropriateness of the models used by the Group and the reliability of the data that was used as input to these models to value the investment securities. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair values. For that reason we have evaluated the reasonableness of key inputs used in the valuation such as the comparable market information, expected cash flows, risk free rates and credit spreads by benchmarking them with external data. Fair value disclosures for investment securities carried at fair value are presented in Note 23 to the consolidated financial statements.

b) Hyperinflation adjustments

One of the subsidiaries of the Parent Company, operating in Sudan, which is considered as a hyperinflationary economy in accordance with International Accounting Standard 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). As per IAS 29, the financial statements of an entity prepared in the currency of a hyperinflationary economy is to be restated in terms of a measuring unit current at the reporting date. The restatement of historical financial information to the current measuring unit and the determination of monetary gains or loss is complex and requires certain judgments by the management. In addition, the disclosures required in the consolidated financial statements to conform to the requirements of IAS 29 are significant. Therefore, we have considered hyperinflation adjustments and the required disclosures as a key audit matter. The accounting policy for the hyperinflation is disclosed in Note 2.3 to the consolidated financial statements.

Our audit procedures included, amongst others, the following:

- We agreed the Consumer Price Index ("CPI") to the rates provided by the Central Bank of Sudan and tested the inflation rate based on the average quarterly changes in CPI comparing to the base year.
- We reviewed the hyperinflation adjustments relating to the historical financial information and the determination of net monetary gain or loss including the judgments applied by the management.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE ENERGY HOUSE HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Hyperinflation adjustments (continued)

- We assessed the adequacy and the appropriateness of the Group's disclosures concerning hyperinflation adjustment in Note 15 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Groups or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE ENERGY HOUSE HOLDING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE ENERGY HOUSE HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

6 March 2019
Kuwait

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	*2018 KD*	*2017 KD*
ASSETS			
Non-current assets			
Property and equipment	4	**1,375,494**	7,860,767
Investment property	5	**3,600,301**	6,367,561
Investment in associate		**156,187**	594,266
Financial assets available-for-sale	7	**-**	14,343,269
Financial assets at fair value through other comprehensive Income	8	**14,723,870**	-
Financial assets at fair value through profit or loss	9	**6,364,385**	6,617,679
		26,220,237	35,783,542
Current assets			
Inventories		**871,784**	2,196,901
Account receivables and other debit balances	10	**4,636,242**	9,120,092
Cash and cash equivalents	11	**1,989,382**	1,347,763
		7,497,408	12,664,756
TOTAL ASSETS		**33,717,645**	48,448,298
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**75,000,000**	75,000,000
Share premium		**193,550**	193,550
Statutory reserve	12	**472,723**	472,723
Voluntary reserve	12	**314,957**	314,957
Other reserves	12	**(700,997)**	(812,986)
Foreign currency translation reserve		**(7,882,376)**	(170,189)
Fair value reserve		**744,876**	52,873
Accumulated losses		**(44,631,230)**	(45,884,980)
Equity attributable to equity holders of the Company		**23,511,503**	29,165,948
Non-controlling interests		**2,556,858**	4,849,545
Total equity		**26,068,361**	34,015,493
Liabilities			
Non-current liabilities			
Employees' end of service benefits		**147,123**	524,455
Murabaha payables	14	**2,589,180**	-
		2,736,303	524,455
Current liabilities			
Account payables and other liabilities	13	**2,313,971**	7,783,076
Murabaha payables	14	**2,599,010**	6,125,274
		4,912,981	13,908,350
Total liabilities		**7,649,284**	14,432,805
TOTAL EQUITY AND LIABILITIES		**33,717,645**	48,448,298

Ahmed Eissa Al-Sumait
Chairman

Hamad A. Al-Qahtani
Chief Executive Officer

The attached notes from 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
CONTINUING OPERATIONS			
REVENUE			
Contracts revenue		**2,963,445**	5,447,629
Services revenue		**3,608,838**	2,604,183
		6,572,283	8,051,812
COST OF REVENUE			
Contracts cost		**(2,202,154)**	(4,140,687)
Services cost		**(2,943,121)**	(2,392,534)
		(5,145,275)	(6,533,221)
GROSS PROFIT		**1,427,008**	1,518,591
Other income		**2,907**	437,517
Finance income		**164**	23,976
Rental income		**312**	254,000
Change in fair value of investment property	5	**34,756**	3,333,297
Unrealised loss on financial assets at fair value through profit or loss		**(287,306)**	(1,268,651)
Impairment losses and provisions		**-**	(1,377,618)
Allowance for expected credit loss		**(3,645)**	-
Share of results from associates	6	**224,010**	27,117
Loss on sale of a subsidiary	24	**(115,634)**	-
Staff costs		**(983,882)**	(1,418,098)
General and administrative expenses		**(1,186,837)**	(1,761,596)
Finance costs		**(152,048)**	(205,048)
Foreign exchange differences		**2,354,741**	(1,716,260)
OPERATING INCOME (LOSS)		**1,314,546**	(2,152,773)
Monetary gain from hyperinflation	15	**294,638**	845,079
PROFIT (LOSS) FOR THE YEAR BEFORE CONTRIBUTION TO TAX AND DIRECTORS' REMUNERATION		**1,609,184**	(1,307,694)
Taxation on foreign operations		**(299,357)**	(318,725)
Directors' remuneration	17	**(25,000)**	(25,000)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS BEFORE CONTRIBUTION TO NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		**1,284,827**	(1,651,419)
NLST		**(34,490)**	-
Zakat		**(13,796)**	-
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**1,236,541**	(1,651,419)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations		**(359,367)**	(3,029,132)
PROFIT (LOSS) FOR THE YEAR		**877,174**	(4,680,551)
Attributable to:			
Equity holders of the Company		**80,174**	(5,043,992)
Non-controlling interests		**797,000**	363,441
		877,174	(4,680,551)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	16	**0.11 fils**	(6.73) fils

The attached notes from 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 *KD*	*2017* *KD*
Profit (loss) for the year	**877,174**	(4,680,551)
Other comprehensive (loss) income:		
Items that are (or) may be reclassified subsequently to the consolidated statement of income		
Net changes in fair value of financial assets available-for-sale	-	10,522
Share of associates' reserves	-	(15,490)
Net exchange differences on translation of foreign operations	**(11,991,377)**	1,107,870
	(11,991,377)	1,102,902
Items that will not be reclassified subsequently to the consolidated statement of income:		
Fair value gain on financial assets at fair value through other comprehensive income	**710,650**	-
Total other comprehensive (loss) income for the year	**(11,280,727)**	1,102,902
Total comprehensive loss for the year	**(10,403,553)**	(3,577,649)
Attributable to:		
Equity holders of the Company	**(6,940,010)**	(4,383,767)
Non-controlling interests	**(3,463,543)**	806,118
	(10,403,553)	(3,577,649)

The attached notes from 1 to 24 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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	4,849,545	34,015,493
Adjustment on adoption of IFRS 9 (Note 2.4)	-	-	-	-	-	-	-	(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 year	-	-	-	-	-	-	-	80,174	80,174	797,000	877,174
Other comprehensive (loss) income for the year	-	-	-	-	-	(7,712,187)	692,003	-	(7,020,184)	(4,260,543)	(11,280,727)
Total comprehensive (loss) income for the year	-	-	-	-	-	(7,712,187)	692,003	80,174	(6,940,010)	(3,463,543)	(10,403,553)
Hyperinflation adjustment (Note 15)	-	-	-	-	-	-	-	1,467,282	1,467,282	816,426	2,283,708
Discontinued operations (Note 24)	-	-	-	-	111,989	-	-	(111,989)	-	455,541	455,541
As at 31 December 2018	**75,000,000**	**193,550**	**472,723**	**314,957**	**(700,997)**	**(7,882,376)**	**744,876**	**(44,631,230)**	**23,511,503**	**2,556,858**	**26,068,361**
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 year	-	-	-	-	-	-	-	(5,043,992)	(5,043,992)	363,441	(4,680,551)
Other comprehensive income for the year	-	-	-	-	-	653,464	6,761	-	660,225	442,677	1,102,902
Total comprehensive income (loss) for the year	-	-	-	-	-	653,464	6,761	(5,043,992)	(4,383,767)	806,118	(3,577,649)
Hyperinflation adjustment (Note 15)	-	-	-	-	-	-	-	911,972	911,972	507,439	1,419,411
As at 31 December 2017	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

The attached notes from 1 to 24 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	*2018 KD*	*2017 KD*
OPERATING ACTIVITIES			
Profit (loss) for the year from continuing operations		**1,609,184**	(1,307,694)
Loss for the year from discontinued operations		**(359,367)**	(3,029,132)
Profit (loss) for the year before contribution to tax and Directors' remuneration		**1,249,817**	(4,336,826)
Adjustments to reconcile profit (loss) for the year before tax and Directors' remuneration to net cash flows:			
Loss (gain) on sale of property and equipment		**30,637**	(241,868)
Finance income		**(164)**	(24,534)
Loss on sale of a subsidiary	24	**115,634**	-
Rental income		**(312)**	(254,000)
Change in fair value on investment property	5	**(34,756)**	(3,333,297)
Unrealised loss on financial assets at fair value through profit or loss		**287,306**	1,268,651
Impairment losses and provisions		**-**	1,477,618
Allowance for expected credit loss		**3,645**	-
Share of results of associates	6	**(224,010)**	(27,117)
Employees' end of service benefits provided		**48,924**	149,564
Depreciation	4	**772,426**	1,172,542
Finance costs		**152,048**	236,847
Foreign exchange differences		**(2,354,741)**	1,716,260
Monetary gain from hyperinflation	15	**(294,638)**	(845,079)
		(248,184)	(3,041,239)
Working capital adjustments:			
Inventories		**1,560,040**	(220,359)
Account receivables and other debit balances		**2,430,456**	(1,815,330)
Account payables and other liabilities		**(2,507,901)**	(471,712)
Cash flows from (used in) operations		**1,234,411**	(5,548,640)
Employees' end of service benefits paid		**-**	(278,789)
Net cash flows from (used in) operating activities		**1,234,411**	(5,827,429)
INVESTING ACTIVITIES			
Net cash inflows from disposal of a subsidiary	24	**2,353,426**	-
Purchase of property and equipment	4	**(201,740)**	(966,306)
Proceeds from sale of property and equipment		**322,802**	713,444
Purchase of financial assets at fair value through profit or loss		**-**	(9,167)
Net movement in restricted bank balances and deposits		**212,936**	2,011,663
Rental income received		**312**	254,000
Net cash flows from investing activities		**2,687,736**	2,003,634
FINANCING ACTIVITIES			
Finance costs paid		**(24,184)**	(34,416)
Finance income received		**164**	24,534
Net movement in murabaha payables		**13,847**	(338,811)
Net cash flows used in financing activities		**(10,173)**	(348,693)
Effect of foreign currency translation and hyperinflation adjustment		**(3,057,419)**	2,215,296
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALNETS		**854,555**	(1,957,192)
Cash and cash equivalents as at the beginning of the year		**1,108,852**	3,066,044
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**1,963,407**	1,108,852

The attached notes from 1 to 24 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

1 CORPORATE INFORMATION

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 the 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;
- 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 Boursa Kuwait.

The consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 were authorised for issuance in accordance with a resolution of the Board of Directors of the Company on 5 March 2019 and are subject to the approval of the Annual General Assembly of the shareholders. The Annual General Assembly of the shareholders of the Company has the power to amend these consolidated financial statements after their issuance.

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the shareholders of the Company during the Annual General Assembly meeting held on 17 April 2018. There were no dividends declared for the year ended 31 December 2017.

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Basis of preparation

The consolidated financial statements of the Group have been prepared under the historical cost convention as modified for the revaluation at fair value of investment property, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Company.

Certain amounts shown here do not correspond to the consolidated statement of income for the year ended 31 December 2018 and reflect reclassifications made relating to discontinued operations Note 24.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its following subsidiaries, where the Company has direct investment:

Subsidiaries	*Country of Incorporation*	*Interest in equity 2018 %*	*Interest in equity 2017 %*	*Principal activities*
Higleig Petroleum Services and Investment Company Ltd	Sudan	**64.25**	64.25	Energy services and Contracting
KDDB General Trading and Contracting Company W.L.L. (Note 24)	Kuwait	**-**	90.00	General Trading and contracting
Nordic Intervention Services L.L.C.	UAE	**100.00**	100.00	Energy services
Nordic Energy F.Z.C.	UAE	**92.50**	92.50	Energy services
AREF Energy International Ltd	Cayman Island	**100.00**	100.00	Financial Services

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses at each reporting date whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

The financial statements of the subsidiaries are prepared to a date not earlier than three months of the Company's reporting date using consistent accounting policies. Adjustments are made to the subsidiaries financial statements for the effect of any significant event or transactions occurring up to 31 December.

2.2 BASIS OF CONSOLIDATION (continued)

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiaries
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative foreign currency translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in, the consolidated statement of income within "administrative expenses".

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing attitude and is also exposed to credit risk. The following specific recognition criteria must also be met before revenue is recognised:

Contract revenue

If the outcome of a contract can be reliably measured, revenue associated with the contract is recognised by reference to the stage of completion of the contracting activity as at the reporting date (the percentage of completion method). Provision is made in full for the amount of anticipated losses on uncompleted contracts in the year such losses are first projected.

The outcome of a construction contract can be estimated reliably when:

i. the total contract revenue can be measured reliably;

ii. it is probable that the economic benefits associated with the contract will flow to the Group;

iii. the costs to complete the contract and the stage of completion can be measured reliably; and

iv. the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of the construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of cost incurred that are expected to be recoverable. In applying the percentage of completion method, revenue recognized corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue – contract revenue corresponds to the initial amount of revenue agreed in the contract plus any variations in the contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Revenue from variation claims are recognised in the period such claims are approved.

Contract costs – contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to the specific contract comprise of cost of materials used in the construction, labour costs, depreciation of property, plant and equipment used on the contract, and other costs that are directly related to the contract.

Revenue and profit from cost plus contracts are recognised by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred to date relate to the estimated total costs of the contract.

Service revenue

Service revenue is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Rental income

Rental income on investment property from operating lease is recognised on straight line basis over the lease term.

Finance income

Finance income is recognised on accrual basis using effective interest method.

Finance costs

Finance costs are directly attributable to murabaha payables. All finance costs are expensed in the period they occur. Borrowing costs consist of cost on the Islamic facilities and other costs that an entity incurs in connection with the borrowing of funds.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation and deductions

Taxation on foreign operations

Certain subsidiaries are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period when determining the contribution.

National Labor Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year for listed companies. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with Law No 46 of 2006 and the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income is recognised as part of rental income in the consolidated statement of income on a straight line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is recognised in the consolidated statement of income on a straight line basis over the estimated useful lives as follows:

• Leasehold properties	3 years
• Buildings	20 years
• Furniture, fixtures and office equipment	2-7 years
• Motor vehicles and equipment	4-10 years

Capital work in progress is stated at cost. Following completion, capital work in progress is transferred into the relevant classification of property and equipment.

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Investment property
Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the consolidated statement of income in the period in which they arise. Fair values are determined based on an annual evaluation performed by an accredited external independent, registered real estate valuers with relevant experience in the market in which the property is situated. The valuation reflects market conditions at the reporting date.

Investment property is derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in associate
An associate is an entity in which the Group has significant influence. The Group's investment in its associates is accounted for under the equity method of accounting.

Under the equity method, the investment in the associate is carried at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated statement of income reflects the Group's share of the results of the associate after tax and non-controlling interests in the subsidiaries of the associates. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited to the extent that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost includes the purchase price, import duties, transportation, handling and other direct costs. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments – initial recognition, subsequent measurement and derecognition
In the current year, the Group has adopted *IFRS 9 Financial Instruments*. See section 2.4 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with *IAS 39 Financial Instruments: Recognition and Measurement.*

i) Financial assets
Initial recognition and measurement
Policy effective from 1 January 2018 (IFRS 9)
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include 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.

Policy effective before 1 January 2018 (IAS 39)
The Group classifies its financial assets at initial recognition into the following categories, in accordance with IAS 39:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group includes in this category cash and cash equivalents and accounts receivable and other debit balances.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2018

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)
i) Financial assets (continued)
Initial recognition and measurement (continued)
Policy effective before 1 January 2018 (IAS 39) (continued)
Financial assets available-for-sale
Financial assets available-for-sale are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables. After initial recognition at cost including transaction costs associated with the acquisition, financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Financial assets at fair value through profit or loss
Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (equity instruments)
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in the statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

The Company does not have any debt instruments at FVOCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)
Financial assets (continued)

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive the cash flows from the asset have expired; or
- the Group has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all of the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
Policy effective from 1 January 2018 (IFRS 9)
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Policy effective before 1 January 2018 (IAS 39)
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in consolidated statement of income as credit loss expense.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)
Financial assets (continued)
Impairment of financial assets (continued)
Policy effective before 1 January 2018 (IAS 39) (continued)
Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a previous write-off is later recovered, the recovery is credited to the consolidated statement of income.

Financial liabilities
Initial recognition and measurement
Financial liabilities, are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transactions costs.

The Group's financial liabilities include account payables and other liabilities and murabaha payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Account payables and other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

Murabaha payables
Murabaha payables represent financing taken under a murabaha arrangement. Murabaha payables are stated at the gross amount of the payable, net of deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Gross amount due from/ (to) customers for contract work
Gross amount due from/(to) customers for uncompleted contracts represents costs plus attributable profit to the extent that it is reasonably certain, less provision for any losses incurred or foreseen in bringing contracts to completion, and less amounts received or receivable as progress billings. For contracts where progress billings received and receivable exceed the costs plus attributable profit of work executed, the excess is included under liabilities.

Costs comprise direct materials, direct labour and an appropriate allocation of overheads, including depreciation provided on property and equipment.

Employees' end of service benefits
The Group is liable under Kuwait law to provide end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security scheme, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

Other reserves

Other reserves are used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income.

Assets and liabilities, both monetary and non-monetary, of foreign operations are translated to Kuwaiti Dinars at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average rates of exchange for the foreign operation's period of operations. The resulting exchange differences are accumulated in a separate component of other comprehensive income (net exchange difference on translation of foreign operations) until the disposal of the foreign operation. On disposal of foreign operations, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Hyperinflationary economy

The financial statements of subsidiary companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with the procedures described in Note 15 prior to their translation to Kuwaiti Dinars. Once restated, all items of the financial statements are converted to Kuwaiti Dinars using the closing exchange rate. Amounts shown for prior years for comparative purposes are not restated at consolidation level as the presentation currency of the Group is not of a hyperinflationary economy. On consolidation, the effect of price changes in the prior periods on the financial statements of the subsidiary has been recognised directly in the consolidated statement of changes in equity.

To determine the existence of hyperinflation, the Group assesses the qualitative characteristics of the economic environment of the country, such as the trends in inflation rates over the previous three years.

The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the reporting date and all income and expenses are restated quarterly by applying appropriate conversion factors as defined in Note 15.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that requires retrospective application. However, the Group has decided to implement these standards on partial retrospective basis, as allowed under the provisions of these standards. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

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 the consolidated financial statements 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 consolidated financial statements 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 financial year 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for the year ended 31 December 2018.

- 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;

- 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.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Classification and measurement of financial assets (continued)

- 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 December 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 following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

2018	***Original classification under IAS 39***	***New classification under IFRS 9***	***Original carrying amount under IAS***	***Remeasurement ECL***	***New carrying amount under IFRS 9***
			KD	***KD***	***KD***
Financial assets					
Equity securities	AFS	FVOCI*	14,343,269	-	14,343,269
Unquoted fund	FVTPL	FVTPL	6,617,679	-	6,617,679
Accounts receivable and other debit balances	Loans and receivables	Amortised cost	9,120,092	(282,828)	8,837,264
Cash and cash equivalents	Loans and receivables	Amortised cost	1,347,763	-	1,347,763
Financial liabilities					
Murabaha payables	Amortised cost	Amortised cost	6,125,274	-	6,125,274
Accounts payable and other liabilities	Amortised cost	Amortised cost	7,783,076	-	7,783,076

* 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.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 Financial Instruments (continued)
Impact of adopting IFRS 9 (continued)
The impact of this change in accounting policy as at 1 January 2018 resulted in an increase in accumulated losses by KD 181,717 and decrease non-controlling interests by KD 101,111 as follows:

	Accumulated losses KD	*Non-controlling interests KD*
Balance under IAS 39 as at 31 December 2017	(45,884,980)	4,849,545
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)**
Balance under IFRS 9 on date of initial application as 1 January 2018	**(46,066,697)**	**4,748,434**

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

The Company intends to adopt these standards and amendments when they become effective. However, the Company expects no material impact from the adoption of the amendments on its financial position or performance.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of financial assets - applicable from 1 January 2018

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

Impairment of financial assets available for sale - applicable before 1 January 2018

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Classification of real estate

Management decides on acquisition of a real estate property, whether it should be classified as trading, property held for development, investment property or property and equipment.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as an investment property if it is acquired, developed or is in the process of development to principally generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies property as property and equipment when it is acquired for owner occupation.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Valuation of investment property

Fair value of investment property is determined based on valuations by independent registered real estate assessors which have relevant experience in the local and international property market. Furthermore, the Group has applied illiquidity discount on the valuation of investment property arising from the subsidiary located in a hyperinflationary economy based on management estimate on its recoverable amounts (Note 5).

Impairment of investment in associate

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Valuation of unquoted investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of accounts receivable and gross amount due from customers for contract works

An estimate of the collectible amount of trade receivable and gross amount due from customer is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Accumulated costs and estimated earnings on uncompleted contracts

Revenue from fixed price construction contracts is measured by reference to the percentage of actual costs incurred to date to the estimated total costs for each contract applied to the estimated contract revenue, and reduced by the proportion of revenue previously recognised. This requires the Group to use judgement in the estimation of the total cost expected to complete each project.

Profit on uncompleted contracts

Profit on uncompleted contracts is only recognised when the contract reaches a point where the ultimate profit can be estimated with reasonable certainty. This requires the Group's management to determine the level at which reasonable estimates can be reached.

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4 PROPERTY AND EQUIPMENT

	Leasehold land KD	*Building and leasehold properties KD*	*Furniture, fixtures and office equipment KD*	*Motor vehicles and equipment KD*	*Work-in progress KD*	*Total KD*
Cost:						
As at 1 January 2018	1,230,000	877,720	573,791	9,894,234	426,771	13,002,516
Additions	-	-	17,836	183,904	-	201,740
Disposals	-	-	-	(314,765)	-	(314,765)
Write-off	-	-	(105,338)	-	-	(105,338)
Effect of disposal of a subsidiary	(1,230,000)	(318,019)	(231,425)	(1,027,757)	(378,137)	(3,185,338)
Foreign currency translation adjustments	-	(457,812)	(45,148)	(1,496,945)	(41,748)	(2,041,653)
As at 31 December 2018	-	**101,889**	**209,716**	**7,238,671**	**6,886**	**7,557,162**
Accumulated depreciation:						
As at 1 January 2018	-	406,610	446,183	8,975,902	-	9,828,695
Charge during the year	-	24,762	28,421	719,243	-	772,426
Relating to write-off	-	-	(105,338)	-	-	(105,338)
Related to disposals	-	-	-	(214,554)	-	(214,554)
Effect of disposal of a subsidiary		(87,885)	(207,794)	(889,675)		(1,185,354)
Foreign currency translation adjustments	-	(270,290)	(20,146)	(1,456,857)	-	(1,747,293)
As at 31 December 2018	-	73,197	141,326	7,134,059	-	7,348,582
Net carrying amount:						
As at 31 December 2018 (before adjustment)	-	**28,692**	**68,390**	**104,612**	**6,886**	**208,580**
Hyperinflation adjustments (Note 15)						
Opening hyperinflation as at 1 January 2018	-	885,633	80,068	3,512,322	208,923	4,686,946
Depreciation adjustments	-	(2,323)	(728)	(8,094)	-	(11,145)
Change in carrying value	-	266,285	58,305	1,702,869	79,338	2,106,797
Foreign currency translation adjustments	-	(942,298)	(108,488)	(4,331,736)	(233,162)	(5,615,684)
Hyperinflation at 31 December 2018	-	207,297	29,157	875,361	55,099	1,166,914
Adjusted balance as at 31 December 2018	-	**235,989**	**97,547**	**979,973**	**61,985**	**1,375,494**

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

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4 PROPERTY AND EQUIPMENT (continued)

	Leasehold land KD	*Building and leasehold properties KD*	*Furniture, fixtures and office equipment KD*	*Motor vehicles and equipment KD*	*Work-in progress KD*	*Total KD*
Cost:						
As at 1 January 2017	1,230,000	752,517	494,289	9,855,038	643,575	12,975,419
Additions	-	30,221	79,449	839,859	16,777	966,306
Disposals	-	(102,243)	(2,852)	(648,264)	-	(753,359)
Transferred from work in progress	-	218,788	5,857	7,000	(231,645)	-
Foreign currency translation adjustments	-	(21,563)	(2,952)	(159,399)	(1,936)	(185,850)
As at 31 December 2017	1,230,000	877,720	573,791	9,894,234	426,771	13,002,516
Accumulated depreciation:						
As at 1 January 2017	-	389,647	424,750	8,531,041	-	9,345,438
Charge during the year	-	48,249	25,123	1,099,170	-	1,172,542
Related to disposals	-	(18,763)	(2,082)	(554,982)	-	(575,827)
Foreign currency translation adjustments	-	(12,523)	(1,608)	(99,327)	-	(113,458)
As at 31 December 2017	-	406,610	446,183	8,975,902	-	9,828,695
Net carrying amount:						
As at 31 December 2017 (before adjustment)	1,230,000	471,110	127,608	918,332	426,771	3,173,821
Hyperinflation adjustments (Note 15)						
Opening hyperinflation as at 1 January 2017	-	814,319	58,482	2,413,329	149,306	3,435,436
Depreciation adjustments	-	(2,948)	(756)	(10,637)	-	(14,341)
Change in carrying value	-	190,439	12,140	773,289	67,972	1,043,840
Foreign currency translation adjustments	-	(116,177)	10,202	336,341	(8,355)	222,011
Hyperinflation at 31 December 2017	-	885,633	80,068	3,512,322	208,923	4,686,946
Adjusted balance as at 31 December 2017	1,230,000	1,356,743	207,676	4,430,654	635,694	7,860,767

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

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4 PROPERTY AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated in the consolidated statement of income as follows:

	2018 KD	*2017 KD*
Cost of revenue	**761,284**	1,022,587
General and administration expenses	**22,287**	164,296
	783,571	1,186,883

5 INVESTMENT PROPERTY

	2018 KD	*2017 KD*
Balance at the beginning of the year	**6,367,561**	3,736,749
Change in fair value	**34,756**	3,333,297
Foreign currency translation adjustments	**(2,802,016)**	(702,485)
Balance at the end of the year	**3,600,301**	6,367,561

The fair value of the investment property as at 31 December 2018 has been determined based on valuation conducted by an independent appraiser with a recognised and relevant professional qualification and recent experience of the location and category of investment property being valued. Management believes that this valuation represents a fair estimation of the fair value of this property.

Investment property is considered under level 3 for the fair value hierarchy, and there were no transfers between the levels of fair value measurements.

6 INVESTMENT IN ASSOCIATE

		2018		*2017*	
	County of incorporation	***Percentage of ownership%***	***Amount KD***	*Percentage of ownership%*	*Amount KD*
Al Dindir Petroleum International Company Limited	Sudan	**50.00%**	**156,187**	50.00%	594,266
			156,187		594,266

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6 INVESTMENT IN ASSOCIATE (continued)

The movement in the carrying value of investment in associate is as follows:

	2018 ***KD***	*2017* *KD*
Balance at the beginning of the year	**594,266**	1,762,855
Share of results	**224,010**	27,117
Impairment	**-**	(1,157,080)
Foreign currencies translation adjustment	**(707,538)**	2,760
Hyperinflation adjustment (Note 15)	**45,449**	(41,386)
Balance at the end of the year	**156,187**	594,266

The following table illustrates summarised financial information of the Group's investment in its associate:

	2018 ***KD***	*2017* *KD*
Total assets	**477,518**	2,061,905
Total liabilities	**(165,144)**	(873,373)
Equity	**312,374**	1,188,532
Carrying value of the investment	**156,187**	594,266
Share of associate results for the year		
Revenue	**14,044**	416,342
Profit for the year	**448,020**	54,234
Group's share of results from associate	**224,010**	27,117

7 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2018 ***KD***	*2017* *KD*
Unquoted equity security	**-**	14,000,000
Quoted equity securities	**-**	343,269
	-	14,343,269

On adoption of IFRS 9 the management has reclassified financial assets available for sale to financial assets at fair value through other comprehensive income as detailed in Note 8.

Fair value hierarchy for determining the fair value of the financial instruments and the valuation techniques are detailed in Note 23.

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

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8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 *KD*	*2017* *KD*
Unquoted equity security	**14,658,490**	-
Quoted equity securities	**65,380**	-
	14,723,870	-

Fair value hierarchy for determining the fair value of the financial instruments and the valuation techniques are detailed in Note 23.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 *KD*	*2017* *KD*
Unquoted fund	**6,364,385**	6,617,679

Fair value hierarchy for determining the fair value of the financial instruments and the valuation techniques are detailed in Note 23.

10 ACCOUNTS RECEIVABLES AND OTHER DEBIT BALANCES

	2018 *KD*	*2017* *KD*
Trade receivables, net	**1,780,276**	4,777,226
Gross amounts due from customers for contract works	**638,269**	1,283,410
Retention receivables	**278,157**	1,514,412
Advances and prepayments	**177,900**	695,543
Amounts due from related parties (Note 17)	**1,226,106**	9,442
Other receivables	**535,534**	840,059
	4,636,242	9,120,092

Movements in the allowance for impairment of receivables is as follows:

	2018 *KD*	*2017* *KD*
Balance at the beginning of the year	**834,680**	536,981
Adjustment on adoption of IFRS 9 (Note 2.4)	**282,828**	-
Balance at the beginning of the year (adjusted)	**1,117,508**	536,981
Charge during the year	-	320,538
Provision for expected credit losses	**3,645**	-
Movement relating to disposal of a subsidiary	**(128,278)**	-
Foreign currencies translation adjustments	**(246,680)**	(22,839)
Balance at the end of the year	**746,195**	834,680

Trade receivables are non-interest bearing and are generally on terms of 30-180 days. As at 31 December 2018, certain trade receivables at nominal value of KD 746,195 (2017: KD 834,680) were individually impaired and fully provided for.

The Energy House Holding Company K.S.C.P. and its Subsidiaries
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10 ACCOUNTS RECEIVABLES AND OTHER DEBIT BALANCES (continued)

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

			Past due but not impaired		
	Total	*Neither past due nor impaired*	*Less than 30 days*	*31 – 90 days*	*>90 days*
	KD	*KD*	*KD*	*KD*	*KD*
2018	**1,780,276**	**176,926**	**661,587**	**330,116**	**611,647**
2017	4,777,226	1,834,403	234,416	764,963	1,943,444

Unimpaired accounts receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

11 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following:-

	2018	*2017*
	KD	*KD*
Bank balances and cash	**1,989,382**	1,247,763
Wakala deposits	**-**	100,000
Cash and cash equivalents as per the consolidated statement of financial position	**1,989,382**	1,347,763
Restricted bank balances	**(25,975)**	(138,911)
Restricted wakala deposits with maturity of more than three months	**-**	(100,000)
Cash and cash equivalents as per the consolidated statement of cash flows	**1,963,407**	1,108,852

Restricted bank balances of KD 25,975 (2017: KD 138,911) are secured against bank facilities.

12 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

a) Share capital

	Authorised, issued and fully paid	
	2018	*2017*
	KD	*KD*
750,000,000 shares (2017: 750,000,000) of 100 fils paid in cash	**75,000,000**	75,000,000

b) Statutory reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

12 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

b) Statutory reserve (continued)

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital

No transfer has been made to statutory reserve, since the Group has previously incurred losses that have not yet been fully recovered.

c) Voluntary reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

No transfer has been made to voluntary reserve, since the Group has previously incurred losses that have not yet been fully recovered.

d) Other reserves

Other reserves comprise of amounts credited to equity on acquisitions of non-controlling interests which are accounted for as transactions with shareholders in their capacity as owners.

13 ACCOUNT PAYABLES AND OTHER LIABILITIES

	2018 ***KD***	*2017* *KD*
Trade payables	**1,129,982**	3,501,862
Retention payables	**1,338**	457,851
Advances from customers	**31,403**	536,709
Amounts due to related parties (Note 17)	**212,705**	506,565
Accrued expenses	**893,140**	2,278,608
Dividend payable	**-**	237,799
Other payables	**45,403**	263,682
	2,313,971	7,783,076

14 MURABAHA PAYABLES

	2018 ***KD***	*2017* *KD*
Gross amount	**5,318,708**	6,215,646
Less: deferred profit	**(130,518)**	(90,372)
	5,188,190	6,125,274
Non-current	**2,589,180**	-
Current	**2,599,010**	6,125,274
	5,188,190	6,125,274

14 MURABAHA PAYABLES (continued)

The fair value of murabaha payables approximates the carrying value as at 31 December 2018 and 31 December 2017. The average cost rate attributable to murabaha payables during the year was 3% per annum (31 December 2017: 3.5%).

Murabaha facilities are unsecured. Certain murabaha facilities amounting to KD 5,147,178 (31 December 2017: KD 5,867,075) are obtained from related parties (Note 17).

Changes in liability arising from financing activities, are as follows:

	1 January 2018 KD	*Cash inflows KD*	*Cash Outflows KD*	*Other KD*	*31 December 2018 KD*
Murabaha payables	**6,125,274**	**175,356**	**(161,509)**	**(950,931)**	**5,188,190**

	1 January 2017 KD	*Cash inflows KD*	*Cash Outflows KD*	*Other KD*	*31 December 2017 KD*
Murabaha payables	6,261,654	632,846	(971,657)	202,431	6,125,274

15 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 December 2018	**1,415.705**	**1.224**
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:

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.
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 consolidated statement of income as a monetary gain or loss from hyperinflation.

15 HYPERINFLATION ADJUSTMENT (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 2,283,708 (31 December 2017: KD 1,419,411) in the books of Higleig, up to 31 December 2018, has been adjusted directly in the consolidated statement of changes in equity.

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

	2018 KD	*2017 KD*
Property and equipment (Note 4)	**2,106,797**	1,043,840
Investment in associate (Note 6)	**45,449**	(41,386)
Inventories	**572,586**	503,172
Other impact on the consolidated statement of income and changes in equity	**(146,486)**	758,864
	2,578,346	2,264,490

Consolidated statement of changes in equity:

	2018 KD	*2017 KD*
Attributable to:		
Equity holders of the Company	**1,467,282**	911,972
Non-controlling interests	**816,426**	507,439
	2,283,708	1,419,411

Consolidated statement of income:

	2018 KD	*2017 KD*
Attributable to:		
Equity holders of the Company	**189,305**	542,963
Non-controlling interests	**105,333**	302,116
	294,638	845,079
Total impact of hyperinflation	**2,578,346**	2,264,490

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

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

	2018	*2017*
Profit (loss) for the year attributable to shareholders of the Company (KD)	**80,174**	(5,043,992)
Weighted average number of outstanding shares	**750,000,000**	750,000,000
Basic and diluted earnings (loss) per share attributable to equity holders of the Company (fils)	**0.11**	(6.73)

17 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 consolidated statement of financial position are as follows:

	Ultimate Parent Company KD	*Parent Company KD*	*Entities under common control KD*	***31 December 2018 KD***	*31 December 2017 KD*
Account receivables and other debit balances (Note 10)	-	-	**1,226,106**	**1,226,106**	9,442
Cash and cash equivalents	**192,470**	-	-	**192,470**	502,324
Account payables and other liabilities (Note 13)	-	**212,705**	-	**212,705**	506,565
Murabaha payables (Note 14)	-	**5,147,178**	-	**5,147,178**	5,867,075

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

	Ultimate Parent Company KD	***Parent Company KD***	***2018 KD***	*2017 KD*
Finance income	**164**	-	**164**	24,358
Finance costs	-	**127,864**	**127,864**	165,618

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

	Ultimate Parent Company KD	***2018 KD***	*2017 KD*
Letters of guarantee (Note 18)	-	-	1,256,561
Letters of credit (Note 18)	-	-	56,000

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17 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2018 *KD*	*2017* *KD*
Salaries and short-term benefits	**218,055**	419,319
Termination benefits	**11,733**	12,564
	229,788	431,883

The Board of Directors of the Company proposed Directors' remuneration of KD 25,000 (2017: KD 25,000).

18 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2018 *KD*	*2017* *KD*
Capital commitments:		
Commitment towards contribution of fund expenses	**559,971**	892,735
Financial assets available-for-sale	-	6,528,600
Financial assets at fair value through other comprehensive income	**6,561,000**	-
	7,120,971	7,421,335

	2018 *KD*	*2017* *KD*
Contingent liabilities:		
Letters of guarantee (Note 17)	-	1,256,561
Letters of credit (Note 17)	-	56,000
	-	1,312,561

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19 SIGNIFICANT NON-CONTROLLING INTEREST

Financial information of the subsidiary that have material non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	*2018*	*2017*
Higleig Petroleum Services and Investment Company Ltd	Sudan	**35.75%**	35.75%

	2018 *KD*	*2017* *KD*
Summarised consolidated statement of income and comprehensive income:		
Revenue	**2,963,445**	5,447,629
Expenses	**(627,170)**	(3,435,234)
Profit for the year	**2,336,275**	2,012,395
Total profit attributable to non-controlling interests	**835,218**	719,431
Other comprehensive (loss) income	**(11,997,454)**	1,231,963
Total comprehensive (loss) income	**(9,661,179)**	3,244,358
Total comprehensive (loss) income attributable to non-controlling interests	**(3,426,570)**	1,159,858

	2018 *KD*	*2017* *KD*
Summarised consolidated statement of financial position as at 31 December:		
Current assets	**2,716,288**	6,020,417
Non-current assets	**5,032,244**	12,385,011
Current liabilities	**(796,463)**	(3,696,262)
Non-current liabilities	**(54,884)**	(228,054)
Total equity	**(6,897,185)**	(14,481,112)
Attributable to:		
Non-controlling interests	**2,465,744**	5,176,997

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20 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 profit (loss) information of the Group's operating segments for the years ended 31 December 2018 and 31 December 2017, respectively:

	Energy KD	*Contracting KD*	*Others KD*	*Total KD*
31 December 2018				
Total segment revenue	**3,608,838**	**2,963,445**	**-**	**6,572,283**
Profit (loss) for the year	**(640,275)**	**1,941,623**	**(424,174)**	**877,174**
Total segment assets	**19,535,582**	**7,748,532**	**6,433,531**	**33,717,645**
Total segment liabilities	**(6,800,756)**	**(845,175)**	**(3,353)**	**(7,649,284)**
31 December 2017				
Total segment revenue	2,604,183	5,447,629	-	8,051,812
Loss for the year	(2,057,065)	(1,215,740)	(1,407,746)	(4,680,551)
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)

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.

	2018				*2017*			
	Kuwait KD	***MENA KD***	***Outside MENA KD***	***Total KD***	*Kuwait KD*	*MENA KD*	*Outside MENA KD*	*Total KD*
Segment revenue	**-**	**6,572,283**	**-**	**6,572,283**	-	8,051,812	-	8,051,812
Segment results	**(1,018,017)**	**2,319,365**	**(424,174)**	**877,174**	(4,905,302)	1,632,497	(1,407,746)	(4,680,551)

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

21.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party and to monitor the collection of receivables on an ongoing basis. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis by the Company's Board of Directors. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. In addition, receivable balances are monitored on an ongoing basis with a view to minimise the Group's exposure to bad debts. The maximum exposure is the carrying amount as presented in the consolidated statement of financial position.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, without taking account of any collateral and other credit enhancements.

	2018 ***KD***	*2017* *KD*
Cash and cash equivalents (excluding cash on hand)	**1,976,623**	1,296,438
Account receivables and other debit balances (excluding advances and prepayments)	**4,458,342**	8,424,549
	6,434,965	9,720,987

21.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the finance department of the Company. To manage this risk, the Group invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

	On demand KD	***Less than 3 months KD***	***3 to 12 months KD***	***More than 12 months KD***	***Total KD***
2018					
Liabilities					
Account payables and other liabilities (excluding advances from customers)	**1,367,403**	**615,166**	**299,999**	**-**	**2,282,568**
Murabaha payables	**2,019**	**19,597**	**2,625,371**	**2,671,721**	**5,318,708**
	1,369,422	**634,763**	**2,925,370**	**2,671,721**	**7,601,276**

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.2 Liquidity risk (continued)

	On demand KD	*Less than 3 months KD*	*3 to 12 months KD*	*Total KD*
2017				
Liabilities				
Account payables and other liabilities (excluding advances from customers)	1,908,842	3,112,140	2,225,385	7,246,367
Murabaha payables	-	1,116,745	5,098,901	6,215,646
	1,908,842	4,228,885	7,324,286	13,462,013

21.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as profit rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

21.3.1 *Profit rate risk*

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to significant profit rate risk since its borrowings are from Islamic financial institutions and related parties at fixed profit rates.

21.3.2 *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro, AED and Sudanese Pounds. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

	2018 Equivalent in KD	*2017 Equivalent in KD*
US Dollar	**7,690,821**	8,475,035
Euro	**570,928**	983,531
AED	**116,007**	774,924
Sudanese Pounds	**(181,279)**	(2,381,370)
	8,196,477	7,852,120

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk (continued)

21.3.2 *Foreign currency risk (continued)*

The following table demonstrates the sensitivity of the Group's profit (due to changes in the fair value of financial assets and liabilities) to a 10% possible change in the exchange rates, with all other variables held constant.

	2018			*2017*		
Currency	***Change in currency rate in %***	***Effect on consolidated statement of income KD***	***Effect on other comprehensive income KD***	*Change in currency rate in %*	*Effect on consolidated statement of income KD*	*Effect on other comprehensive income KD*
US Dollar	±10	**769,082**	-	±10	847,504	-
Euro	±10	**57,093**	-	±10	98,353	-
AED	±10	**11,601**	-	±10	77,492	-
Sudanese Pounds	±10	**(24,666)**	**6,538**	±10	(272,464)	34,327

21.3.3 *Equity price risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk on its financial assets available-for-sale and financial assets at fair value through profit or loss. The Group manages this risk through diversification of investments in terms of industry concentration.

The sensitivity of the consolidated statement of income to reasonably possible changes in equity prices of quoted equity securities, with all other variables held constant are considered immaterial.

22 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is defined as net debt divided by total equity plus net debt. The Group includes within net debt, Account payables and other liabilities and murabaha payables less cash and cash equivalents. Capital includes, equity attributable to the shareholders of the Company.

	2018 KD	*2017 KD*
Account payables and other liabilities	**2,313,971**	7,783,076
Murabaha payables	**5,188,190**	6,125,274
Less: Cash and cash equivalents	**(1,963,407)**	(1,108,852)
Net debt	**5,538,754**	12,799,498
Equity attributable to shareholders of the Company	**23,511,503**	29,165,948
Capital and net debt	**29,050,257**	41,965,446
Gearing ratio (%)	**19.07%**	30.50%

23 FAIR VALUES 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.

The fair values of financial assets and financial liabilities that are not carried at fair value are not materially different from their carrying amounts.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Note 2.3: Summary of Significant Accounting Policies.

Financial instruments

The Group held the following financial instruments measured at fair value at the reporting date in the consolidated statement of financial position:

	Level 1 KD	***Level 3 KD***	***Total KD***
2018			
Financial assets measured fair value			
Financial assets at fair value through other comprehensive income			
Equity securities	**65,380**	**14,658,490**	**14,723,870**
Financial assets at fair value through profit or loss			
Unquoted fund	**-**	**6,364,385**	**6,364,385**
	65,380	**21,022,875**	**21,088,255**

	Level 1 KD	*Level 3 KD*	*Total KD*
2017			
Financial assets measured fair value			
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

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

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 year ended 31 December 2018.

23 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial instruments (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 assets which are recorded at fair value:

	As at 1 January 2018 KD	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in consolidated statement of comprehensive income KD*	*Net purchases, sales, transfers and settlements KD*	*As at 31 December 2018 KD*
Financial assets at fair value through other comprehensive income					
Equity security	**14,000,000**	**-**	**658,490**	**-**	**14,658,490**
Financial assets at fair value through profit or loss					
Unquoted fund	**6,617,679**	**(287,306)**	**34,012**	**-**	**6,364,385**

	As at 1 January 2017 KD	*Loss recorded in the consolidated statement of income KD*	*Loss recorded in consolidated statement of comprehensive income KD*	*Net purchases, sales, transfers and settlements KD*	*As at 31 December 2017 KD*
Financial assets at fair value through profit or loss					
Unquoted fund	7,964,538	(1,268,651)	(87,375)	9,167	6,617,679

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 in not available.

Non-financial assets
Investment properties were classified under level 3 fair value hierarchy as follows:

	Level 3 KD	*Total KD*
2018		
Investment property	**3,600,301**	**3,600,301**
2017		
Investment property	6,367,561	6,367,561

The following table shows a reconciliation of the opening and closing amount of level 3 non-financial assets which are recorded at fair value:

	At 1 January 2018 KD	*Gain recorded in the consolidated statement of income KD*	*Loss recorded in other comprehensive income KD*	*At 31 December 2018 KD*
Investment property	**6,367,561**	**34,756**	**(2,802,016)**	**3,600,301**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018

23 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Non-financial assets (continued)

	At 1 January 2017 KD	*Loss recorded in the consolidated statement of income KD*	*Loss recorded in other comprehensive income KD*	*At 31 December 2017 KD*
Investment property	3,736,749	3,333,297	(702,485)	6,367,561

The investment property is valued using a combination of the sales comparison approach for the land and cost approach for the building constructed on the land. Sales comparison approach is based on a comparison of active market prices for similar properties and recent arm's length market transactions, adjusted for difference in the nature, location or condition of the specific property. The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

24 DISCONTINUED OPERATIONS

During the year ended 31 December 2018, 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 consolidated statement of income for the year ended 31 December 2018, concluding the sale agreement.

KDDB was not previously classified as held-for-sale or as a discontinued operation. The comparative 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:

	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)**

24 DISCONTINUED OPERATIONS (continued)

Net cash inflow arising on disposal:

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