

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

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

30 SEPTEMBER 2019

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Energy House Holding Company K.S.C.P. ("the Company") and its subsidiaries (collectively, the "Group") as at 30 September 2019, and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the interim condensed consolidated statement of cash flows and the interim condensed consolidated statement of changes in equity for the nine months period then ended. The management of the Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

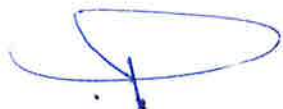
We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Report on review of Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Company's Memorandum of Incorporation and Articles of Association, during the nine months period ended 30 September 2019 that might have had a material effect on the business of the Company or on its financial position.



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

7 November 2019
Kuwait

The Energy House Holding Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
As at 30 September 2019

		30 September 2019 KD	(Audited) 31 December 2018 KD	30 September 2018 KD
	Notes			
ASSETS				
Non-current assets				
Property and equipment		1,869,926	1,375,494	3,178,576
Right-of-use assets		600,809	-	-
Investment property		3,769,065	3,600,301	4,733,408
Investment in associate		287,343	156,187	412,681
Financial assets at fair value through other comprehensive income		122,089	14,723,870	14,171,622
Financial assets at fair value through profit or loss		3,400,783	6,364,385	6,383,972
		<u>10,050,015</u>	<u>26,220,237</u>	<u>28,880,259</u>
Current assets				
Inventories		1,265,452	871,784	1,291,581
Account receivables and other debit balances		6,790,910	4,636,242	7,190,243
Cash and cash equivalents	3	16,022,187	1,989,382	2,218,896
		<u>24,078,549</u>	<u>7,497,408</u>	<u>10,700,720</u>
TOTAL ASSETS		<u>34,128,564</u>	<u>33,717,645</u>	<u>39,580,979</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		75,000,000	75,000,000	75,000,000
Share premium		193,550	193,550	193,550
Statutory reserve		472,723	472,723	472,723
Voluntary reserve		314,957	314,957	314,957
Other reserves		(700,997)	(700,997)	(700,997)
Foreign currency translation reserve		(7,702,210)	(7,882,376)	(3,952,492)
Fair value reserve		120,081	744,876	92,449
Accumulated losses		(42,461,206)	(44,631,230)	(44,923,778)
Equity attributable to equity holders of the Company		<u>25,236,898</u>	<u>23,511,503</u>	<u>26,496,412</u>
Non-controlling interests		3,048,428	2,556,858	4,392,896
Total equity		<u>28,285,326</u>	<u>26,068,361</u>	<u>30,889,308</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		112,302	147,123	201,706
Murabaha payables		-	2,589,180	-
Lease liabilities		446,440	-	-
		<u>558,742</u>	<u>2,736,303</u>	<u>201,706</u>
Current liabilities				
Account payables and other liabilities		5,195,112	2,313,971	3,355,827
Murabaha payables	4	55,689	2,599,010	5,134,138
Lease liabilities		33,695	-	-
		<u>5,284,496</u>	<u>4,912,981</u>	<u>8,489,965</u>
Total liabilities		<u>5,843,238</u>	<u>7,649,284</u>	<u>8,691,671</u>
TOTAL EQUITY AND LIABILITIES		<u>34,128,564</u>	<u>33,717,645</u>	<u>39,580,979</u>

Ahmed Eissa Al-Sumait
Chairman

Hamad A. Al-Qahtani
Chief Executive Officer

The attached notes from 1 to 10 form an integral part of this interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the period ended 30 September 2019

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2019 KD	2018 KD	2019 KD	2018 KD
CONTINUING OPERATIONS					
REVENUE					
Contract revenue		354,896	1,447,744	1,751,767	2,279,175
Services revenue		949,066	1,124,521	2,997,033	2,641,264
		<u>1,303,962</u>	<u>2,572,265</u>	<u>4,748,800</u>	<u>4,920,439</u>
COST OF REVENUE					
Contract costs		(156,291)	(1,306,274)	(612,499)	(2,117,441)
Services costs		(922,601)	(932,370)	(3,439,012)	(2,052,998)
		<u>(1,078,892)</u>	<u>(2,238,644)</u>	<u>(4,051,511)</u>	<u>(4,170,439)</u>
GROSS PROFIT		225,070	333,621	697,289	750,000
Other income		2,199	3,802	14,329	4,738
Finance income		85,834	1,019	136,366	3,216
Rental income		-	-	-	433
Unrealised loss on financial assets at fair value through profit or loss		(68,643)	(605,310)	(2,970,637)	(256,388)
Share of results of associates		924	(46,809)	121,062	268,297
Loss on sale of a subsidiary		-	-	-	(115,634)
Allowance for expected credit losses of receivables		(250)	751	(584,486)	(4,304)
Staff costs		(211,593)	(291,924)	(564,569)	(701,835)
General and administration expenses		(216,482)	(213,204)	(828,913)	(833,643)
Finance costs		(25,109)	(34,557)	(120,491)	(90,759)
Foreign exchange differences		37,996	508,966	485,255	2,062,646
		<u></u>	<u></u>	<u></u>	<u></u>
OPERATING (LOSS) INCOME BEFORE PROVISION FOR TAX		(170,054)	(343,645)	(3,614,795)	1,086,767
Monetary (loss) gain from hyperinflation	8	(300,375)	72,692	(4,560)	177,789
		<u></u>	<u></u>	<u></u>	<u></u>
(LOSS) PROFIT FOR THE PERIOD BEFORE PROVISION FOR TAX		(470,429)	(270,953)	(3,619,355)	1,264,556
Taxation on foreign operations		(42,004)	113,705	(296,939)	(146,110)
		<u></u>	<u></u>	<u></u>	<u></u>
(LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE PROVISION FOR CONTRIBUTION TO NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		(512,433)	(157,248)	(3,916,294)	1,118,446
NLST		20,408	5,096	(71,876)	(25,893)
Zakat		8,164	2,039	(28,750)	(10,357)
		<u></u>	<u></u>	<u></u>	<u></u>
(LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		(483,861)	(150,113)	(4,016,920)	1,082,196
DISCONTINUED OPERATIONS					
Loss for the period from discontinued operations		-	-	-	(359,367)
		<u></u>	<u></u>	<u></u>	<u></u>
(LOSS) PROFIT FOR THE PERIOD		(483,861)	(150,113)	(4,016,920)	722,829
		<u></u>	<u></u>	<u></u>	<u></u>
Attributable to:					
Equity holders of the Company		(388,407)	(343,582)	(4,259,129)	94,152
Non-controlling interests		(95,454)	193,469	242,209	628,677
		<u>(483,861)</u>	<u>(150,113)</u>	<u>(4,016,920)</u>	<u>722,829</u>
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	6	(0.52) fils	(0.46) fils	(5.68) fils	0.13 fils

The attached notes from 1 to 10 form an integral part of this interim condensed consolidated financial information.

The Energy House Holding Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)
For the period ended 30 September 2019

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2019	2018	2019	2018
	KD	KD	KD	KD
(Loss) profit for the period	(483,861)	(150,113)	(4,016,920)	722,829
Other comprehensive (loss) income:				
<i>Items that are or may be reclassified subsequently to the interim condensed consolidated statement of income</i>				
Net exchange differences on translation of foreign operations	(41,830)	95,898	287,048	(5,889,948)
	(41,830)	95,898	287,048	(5,889,948)
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Fair value gain (loss) on financial assets at fair value through other comprehensive income	31,802	(22,149)	5,436,256	61,597
Total other comprehensive (loss) income for the period	(10,028)	73,749	5,723,304	(5,828,351)
Total comprehensive (loss) income for the period	(493,889)	(76,364)	1,706,384	(5,105,522)
Attributable to:				
Equity holders of the Company	(390,583)	(260,920)	1,338,544	(3,648,575)
Non-controlling interests	(103,306)	184,556	367,840	(1,456,947)
	(493,889)	(76,364)	1,706,384	(5,105,522)

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

For the period ended 30 September 2019

	<i>Nine months ended 30 September</i>	
	2019	2018
	KD	KD
OPERATING ACTIVITIES		
(Loss) profit for the period before provision for tax from continuing operations	(3,619,355)	1,264,556
Loss for the period from discontinued operations	-	(359,367)
(Loss) profit for the period before provision for tax	(3,619,355)	905,189
Adjustments to reconcile (loss) profit for the period before provision for tax to net cash flows:		
Loss from sale of property and equipment	18,499	43,582
Finance income	(136,366)	(3,216)
Loss on sale of a subsidiary	-	115,634
Rental income	-	(433)
Unrealised loss on financial assets at fair value through profit or loss	2,970,637	256,388
Share of results of associates	(121,062)	(268,297)
Allowance for expected credit losses of receivables	584,486	4,304
Employees' end of service benefits provided	19,905	34,262
Depreciation and amortization	694,387	556,170
Finance costs	120,491	90,759
Foreign exchange differences	(485,255)	(2,062,646)
Monetary (loss) gain from hyperinflation	4,560	(177,789)
	50,927	(506,093)
Working capital adjustments:		
Inventories	(315,494)	769,804
Account receivables and other debit balances	(2,172,225)	(416,299)
Account payables and other liabilities	2,329,308	(1,275,762)
Cash flows used in operations	(107,484)	(1,428,350)
Employees' end of service benefits paid	-	(297)
NLST paid	(38,942)	-
Zakat paid	(15,577)	-
Net cash flows used in operating activities	(162,003)	(1,428,647)
INVESTING ACTIVITIES		
Proceeds from disposal of a subsidiary	-	2,353,426
Purchase of property and equipment	(699,400)	(180,560)
Proceeds from sale of financial assets at fair value through other comprehensive income	20,042,302	-
Proceeds from sale of property and equipment	56,211	329,141
Net movement in restricted bank balances and deposits	(2,284)	225,162
Rental income received	-	433
Net cash flows from investing activities	19,396,829	2,727,602
FINANCING ACTIVITIES		
Finance costs paid	(92,447)	(21,923)
Finance income received	54,692	3,216
Net movement in murabaha payables	(5,134,805)	(84,459)
Payment of lease liabilities	(87,357)	-
Net cash flows used in financing activities	(5,259,917)	(103,166)
Effect of foreign currency translation and hyperinflation adjustments	55,612	(99,494)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,030,521	1,096,295
Cash and cash equivalents as at the beginning of the period	1,963,407	1,108,852
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD	15,993,928	2,205,147

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The attached notes from 1 to 10 form an integral part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2019

Attributable to the equity holders of the Company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Other reserves KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2019	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
(Loss) profit for the period	-	-	-	-	-	-	-	(4,259,129)	(4,259,129)	242,209	(4,016,920)
Other comprehensive income for the period	-	-	-	-	-	180,166	5,417,507	-	5,597,673	125,631	5,723,304
Total comprehensive income (loss) for the period	-	-	-	-	-	180,166	5,417,507	(4,259,129)	1,338,544	367,840	1,706,384
Realised gain on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(6,042,302)	6,042,302	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	-	(91,521)	(91,521)
Hyperinflation adjustment (Note 8)	-	-	-	-	-	-	-	386,851	386,851	215,251	602,102
As at 30 September 2019	75,000,000	193,550	472,723	314,957	(700,997)	(7,702,210)	120,081	(42,461,206)	25,236,898	3,048,428	28,285,326
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	-	-	-	-	-	-	-	(181,717)	(181,717)	(101,111)	(282,828)
As at 1 January 2018 (Adjusted)	75,000,000	193,550	472,723	314,957	(812,986)	(170,189)	52,873	(46,066,697)	28,984,231	4,748,434	33,732,665
Profit for the period	-	-	-	-	-	-	-	94,152	94,152	628,677	722,829
Other comprehensive (loss) income for the period	-	-	-	-	-	(3,782,303)	39,576	-	(3,742,727)	(2,085,624)	(5,828,351)
Total comprehensive (loss) income for the period	-	-	-	-	-	(3,782,303)	39,576	94,152	(3,648,575)	(1,456,947)	(5,105,522)
Hyperinflation adjustment (Note 8)	-	-	-	-	-	-	-	1,160,756	1,160,756	645,868	1,806,624
Discontinued operations	-	-	-	-	111,989	-	-	(111,989)	-	455,541	455,541
As at 30 September 2018	75,000,000	193,550	472,723	314,957	(700,997)	(3,952,492)	92,449	(44,923,778)	26,496,412	4,392,896	30,889,308

The attached notes from 1 to 10 form an integral part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2019

1 CORPORATE INFORMATION AND ACTIVITIES

The Energy House Holding Company K.S.C.P. (the "Company") is a Kuwaiti shareholding company registered and incorporated in the State of Kuwait under commercial registration no. 68770 dated 30 July 1996. The Company's shares are listed on Boursa Kuwait on 23 May 2005.

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

The Company's principal activities are, as follows:

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

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

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

The interim condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the nine months period ended 30 September 2019 were authorised for issuance in accordance with a resolution of the Board of Directors of the Company on 7 November 2019.

The Annual General Assembly meeting (AGM) of the Company for the year ended 31 December 2018 held on 3 April 2019, approved the consolidated financial statements of the Group for the year then ended; and no dividends were declared for the year ended 31 December 2018.

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

2.1. Basis of preparation

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

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Group. The subsidiaries of the Company are consolidated based on management accounts of these subsidiaries.

The interim condensed consolidated financial information of the Group does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2018. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the interim condensed consolidated financial information. Operating results for the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2018.

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

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the change in accounting policy detailed below for adoption of IFRS 16: Leases from 1 January 2019.

IFRS 16: Leases ("IFRS 16")

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The right-of-use assets and lease liabilities recorded as at 1 January 2019 amounted to KD 656,712 and KD 614,336 respectively, with no impact on accumulated losses. When measuring lease liabilities, the Group discounted lease payments using its average incremental profit rate ranging from 6.81% to 7.51% at 1 January 2019.

Summary of new accounting policies

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

a. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

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

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

IFRS 16: Leases ("IFRS 16") (continued)

Summary of new accounting policies (continued)

a. Right of use assets (continued)

Lease costs for the period ended 30 September 2019 relating to the right-of-use assets amounting to KD 56,634 are included under depreciation expenses.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c. Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Energy House Holding Company K.S.C.P. and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)
 30 September 2019

3 CASH AND CASH EQUIVALENTS

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

	30 September 2019 KD	<i>(Audited)</i> 31 December 2018 KD	30 September 2018 KD
Bank balances and cash	3,022,187	1,989,382	2,218,896
Wakala deposit	13,000,000	-	-
Cash and cash equivalents as per the interim condensed consolidated statement of financial position	16,022,187	1,989,382	2,218,896
Restricted bank balances	(28,259)	(25,975)	(13,749)
Cash and cash equivalents as per the interim condensed consolidated statement of cash flows	15,993,928	1,963,407	2,205,147

Restricted bank balances of KD 28,259 (31 December 2018: KD 25,975 and 30 September 2018: KD 13,749) represent margin deposits secured against bank facilities.

4 MURABAHA PAYABLES

The average cost rate attributable to murabaha payables during the period was 3% per annum (31 December 2018: 3% per annum and 30 September 2018: 3.5% per annum).

Murabaha facilities are unsecured. Certain murabaha facilities amounting to KD Nil (31 December 2018: KD 5,147,178 and 30 September 2018: KD 5,098,548) are obtained from the Parent Company (Note 5).

5 RELATED PARTY TRANSACTIONS

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

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

	<i>Ultimate Parent Company KD</i>	<i>Entities under common control KD</i>	30 September 2019 KD	<i>(Audited)</i> 31 December 2018 KD	30 September 2018 KD
Account receivables and other debit balances	-	1,413,305	1,413,305	1,226,106	691,916
Cash and cash equivalents	1,526,192	-	1,526,192	192,470	149,927
Account payables and other liabilities	-	-	-	212,705	330,852
Murabaha payables (Note 4)	-	-	-	5,147,178	5,098,548

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5 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Ultimate Parent Company KD</i>	<i>Parent Company KD</i>	<i>Nine months ended 30 September</i>	
			2019 KD	2018 KD
Finance income	58,904	-	58,904	229
Finance costs	-	75,872	75,872	90,019

Compensation of key management personnel

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2019 KD	2018 KD	2019 KD	2018 KD
Salaries and short-term benefits	66,706	76,672	195,539	177,987
Termination benefits	2,627	2,794	8,952	7,136
	69,333	79,466	204,491	185,123

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

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2019 KD	2018 KD	2019 KD	2018 KD
(Loss) profit for the period attributable to equity holders of the Company	(388,407)	(343,582)	(4,259,129)	94,152
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares	750,000,000	750,000,000	750,000,000	750,000,000
Basic and diluted (loss) earnings per share attributable to equity holders of the Company	(0.52) fils	(0.46) fils	(5.68) fils	0.13 fils

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

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7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

Fair value hierarchy

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

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

Financial instruments

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

	Level 1 KD	Level 3 KD	Total KD
30 September 2019			
<i>Financial assets measured at fair value</i>			
<i>Financial assets at fair value through other comprehensive income</i>			
Equity securities	122,089	-	122,089
<i>Financial assets at fair value through profit or loss</i>			
Unquoted fund	-	3,400,783	3,400,783
	<u>122,089</u>	<u>3,400,783</u>	<u>3,522,872</u>
31 December 2018 (Audited)			
<i>Financial assets measured fair value</i>			
<i>Financial assets at fair value through other comprehensive income</i>			
Equity securities	65,380	14,658,490	14,723,870
<i>Financial assets at fair value through profit or loss</i>			
Unquoted fund	-	6,364,385	6,364,385
	<u>65,380</u>	<u>21,022,875</u>	<u>21,088,255</u>
30 September 2018			
<i>Financial assets measured at fair value</i>			
<i>Financial assets at fair value through other comprehensive income</i>			
Equity securities	171,622	14,000,000	14,171,622
<i>Financial assets at fair value through profit or loss</i>			
Unquoted fund	-	6,383,972	6,383,972
	<u>171,622</u>	<u>20,383,972</u>	<u>20,555,594</u>

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7 FAIR VALUE MEASUREMENT OF 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:

	<i>As at 1 January 2019 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in consolidated statement of comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>As at 30 September 2019 KD</i>
<i>Financial assets at fair value through other comprehensive income</i>					
Equity security	14,658,490	-	5,383,812	(20,042,302)	-
<i>Financial assets at fair value through profit or loss</i>					
Unquoted fund	6,364,385	(2,970,637)	7,035	-	3,400,783
	<i>As at 1 January 2018 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in consolidated statement of comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>As at 31 December 2018 KD</i>
<i>Financial assets at fair value through other comprehensive income</i>					
Equity security	14,000,000	-	658,490	-	14,658,490
<i>Financial assets at fair value through profit or loss</i>					
Unquoted fund	6,617,679	(287,306)	34,012	-	6,364,385
	<i>As at 1 January 2018 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in consolidated statement of comprehensive income KD</i>	<i>Net purchases, sales, transfers and settlements KD</i>	<i>As at 30 September 2018 KD</i>
<i>Financial assets at fair value through other comprehensive income</i>					
Equity security	14,000,000	-	-	-	14,000,000
<i>Financial assets at fair value through profit or loss</i>					
Unquoted fund	6,617,679	(256,388)	22,681	-	6,383,972

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7 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

There were no transfers between levels within the fair value hierarchy during the period ended 30 September 2019.

Description of significant unobservable inputs to valuation of financial assets:

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

The impact on the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of income would be immaterial if the relevant risk variables used to fair value unquoted investments were altered by 5%.

8 HYPERINFLATION ADJUSTMENTS

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the statement of financial position date and that corresponding figures for previous periods be stated in the same terms to the latest statement of financial position date. This has been applied in 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
30 September 2019	1,859.200	1.049
30 June 2019	2,327.230	1.442
31 March 2019	1,489.800	1.134
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:

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

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

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8 HYPERINFLATION ADJUSTMENTS (continued)

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

The hyperinflation adjustment of KD 602,102 (31 December 2018: KD 2,283,708 and 30 September 2018: KD 1,806,624) in the books of Higleig, up to 30 September 2019, has been adjusted directly in the interim condensed consolidated statement of changes in equity.

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

	30 September 2019 KD	(Audited) 31 December 2018 KD	30 September 2018 KD
Property and equipment	357,900	2,106,797	1,966,118
Investment in associate	20,781	45,449	54,360
Inventories	78,174	572,586	202,146
Other impact on the interim condensed consolidated statements of income and changes in equity	140,687	(146,486)	(238,211)
	597,542	2,578,346	1,984,413

Interim condensed consolidated statement of changes in equity:

	30 September 2019 KD	30 September 2018 KD
Attributable to:		
Equity holders of the Company	386,851	1,160,756
Non-controlling interests	215,251	645,868
	602,102	1,806,624

Interim condensed consolidated statement of income:

	30 September 2019 KD	30 September 2018 KD
Equity holders of the Company	(2,930)	114,229
Non-controlling interests	(1,630)	63,560
	(4,560)	177,789
Total impact of hyperinflation	597,542	1,984,413

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9 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	30 September 2019 KD	(Audited) 31 December 2018 KD	30 September 2018 KD
Capital commitments:			
Commitment towards contribution of fund expenses	533,504	559,971	586,872
Financial assets at fair value through other comprehensive income	1,705,200	6,561,000	6,552,900
	<u>2,238,704</u>	<u>7,120,971</u>	<u>7,139,772</u>

10 SEGMENT INFORMATION

i) Primary segment information:

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

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

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

The following table present revenue and results information of the Group's operating segments for the nine months period ended 30 September 2019 and 30 September 2018, respectively:

	Energy KD	Contracting KD	Others KD	Total KD
30 September 2019				
Total segment revenues	2,997,033	1,751,767	-	4,748,800
Loss for the period	(1,971,443)	1,014,483	(3,059,960)	(4,016,920)
30 September 2018				
Total segment revenues	2,641,264	2,279,175	-	4,920,439
Profit for the period	(359,769)	1,444,780	(362,182)	722,829

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2019, 31 December 2018 and 30 September 2018, respectively:

	Energy KD	Contracting KD	Others KD	Total KD
As at 30 September 2019				
Total segment assets	20,241,656	10,409,118	3,477,790	34,128,564
Total segment liabilities	(4,170,915)	(1,631,802)	(40,521)	(5,843,238)

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10 SEGMENT INFORMATION (continued)

i) Primary segment information: (continued)

	<i>Energy KD</i>	<i>Contracting KD</i>	<i>Others KD</i>	<i>Total KD</i>
<i>As at 31 December 2018 (Audited)</i>				
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)
<i>As at 30 September 2018</i>				
Total segment assets	18,890,617	14,203,211	6,487,151	39,580,979
Total segment liabilities	(6,589,462)	(2,067,077)	(35,132)	(8,691,671)

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.

	<i>30 September 2019</i>				<i>30 September 2018</i>			
	<i>Kuwait KD</i>	<i>MENA KD</i>	<i>Outside MENA KD</i>	<i>Total KD</i>	<i>Kuwait KD</i>	<i>MENA KD</i>	<i>Outside MENA KD</i>	<i>Total KD</i>
Segment revenue	-	4,748,800	-	4,748,800	-	4,920,439	-	4,920,439
Segment results	(365,346)	(591,614)	(3,059,960)	(4,016,920)	(896,541)	1,981,552	(362,182)	722,829