

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

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

30 SEPTEMBER 2020



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Energy House Holding Company K.S.C.P. (“the Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2020, 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. Management 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.

Emphasis of Matter

We draw attention to Note 8 to the interim condensed consolidated financial information, which indicates that a subsidiary of the Company has an ongoing dispute with their joint operations partner for breach of the terms and conditions of the profit-sharing agreement and ownership of the equipment involved in the joint operations. The case is presently under arbitration with the London Court of International Arbitration (LCIA). The outcome of the arbitration cannot be ascertained with reasonable certainty. Our conclusion is not modified in respect of this matter.

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 2020 that might have had a material effect on the business of the Company or on its financial position.

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

Report on review of Other Legal and Regulatory Requirements (continued)

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine months period ended 30 September 2020 that might have had a material effect on the business of the Company or on its financial position.



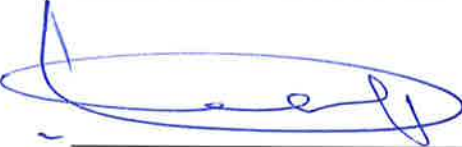
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AL AIBAN, AL OSAIMI & PARTNERS

11 November 2020
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 2020

	Note	30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
ASSETS				
Non-current assets				
Property and equipment		3,195,983	2,130,975	1,869,926
Right-of-use assets		458,718	573,392	600,809
Investment property		2,408,069	2,881,083	3,769,065
Investment in associate		332,547	254,154	287,343
Financial assets at fair value through other comprehensive income		159,014	153,208	122,089
Financial assets at fair value through profit or loss		2,485,287	3,400,782	3,400,783
		<u>9,039,618</u>	<u>9,393,594</u>	<u>10,050,015</u>
Current assets				
Inventories		2,538,744	1,389,210	1,265,452
Account receivables and other debit balances		3,568,899	5,667,619	6,790,910
Cash and cash equivalents	3	17,373,268	15,625,265	16,022,187
		<u>23,480,911</u>	<u>22,682,094</u>	<u>24,078,549</u>
TOTAL ASSETS		<u><u>32,520,529</u></u>	<u><u>32,075,688</u></u>	<u><u>34,128,564</u></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		(8,549,110)	(7,721,343)	(7,702,210)
Fair value reserve		160,739	139,871	120,081
Accumulated losses		(42,899,189)	(43,405,601)	(42,461,206)
Equity attributable to equity holders of the Company		<u>23,992,673</u>	<u>24,293,160</u>	<u>25,236,898</u>
Non-controlling interests		3,614,921	2,873,315	3,048,428
Total equity		<u>27,607,594</u>	<u>27,166,475</u>	<u>28,285,326</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		105,501	120,464	112,302
Lease liabilities		240,950	264,682	446,440
		<u>346,451</u>	<u>385,146</u>	<u>558,742</u>
Current liabilities				
Account payables and other liabilities		4,497,359	4,359,058	5,195,112
Murabaha payables		36,571	28,116	55,689
Lease liabilities		32,554	136,893	33,695
		<u>4,566,484</u>	<u>4,524,067</u>	<u>5,284,496</u>
Total liabilities		<u>4,912,935</u>	<u>4,909,213</u>	<u>5,843,238</u>
TOTAL EQUITY AND LIABILITIES		<u><u>32,520,529</u></u>	<u><u>32,075,688</u></u>	<u><u>34,128,564</u></u>


Ahmed Eissa Al-Sumait
Chairman


Harnad 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 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 KD	2019 KD	2020 KD	2019 KD
REVENUE					
Contract revenue		470,395	354,896	1,315,002	1,751,767
Services revenue		149,617	949,066	1,093,863	2,997,033
		620,012	1,303,962	2,408,865	4,748,800
COST OF REVENUE					
Contract costs		(434,637)	(156,291)	(1,029,409)	(612,499)
Services costs		(117,600)	(922,601)	(1,205,151)	(3,439,012)
		(552,237)	(1,078,892)	(2,234,560)	(4,051,511)
GROSS PROFIT					
		67,775	225,070	174,305	697,289
Other income		46,938	2,199	651,907	14,329
Finance income		58,099	85,834	246,246	136,366
Unrealised gain (loss) on financial assets at fair value through profit or loss		135,872	(68,643)	(949,906)	(2,970,637)
Share of results of associate		123,722	924	126,019	121,062
Allowance for expected credit losses of receivables		(32,976)	(250)	(1,195,528)	(584,486)
Provision for slow moving inventory		(144,668)	-	(440,842)	-
Staff costs		(182,406)	(211,593)	(583,015)	(564,569)
General and administrative expenses		(217,318)	(216,482)	(850,272)	(828,913)
Finance costs		(10,839)	(25,109)	(28,281)	(120,491)
Foreign exchange differences		(201,530)	37,996	1,787,742	485,255
OPERATING LOSS BEFORE PROVISION FOR TAX					
		(357,331)	(170,054)	(1,061,625)	(3,614,795)
Monetary gain (loss) from hyperinflation	7	48,380	(300,375)	745,705	(4,560)
LOSS FOR THE PERIOD BEFORE PROVISION FOR TAX					
		(308,951)	(470,429)	(315,920)	(3,619,355)
Taxation on foreign operations		(212,507)	(42,004)	(270,574)	(296,939)
LOSS FOR THE PERIOD BEFORE PROVISION FOR CONTRIBUTION TO NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
		(521,458)	(512,433)	(586,494)	(3,916,294)
NLST		(37,580)	20,408	(57,391)	(71,876)
Zakat		(15,033)	8,164	(22,957)	(28,750)
LOSS FOR THE PERIOD					
		(574,071)	(483,861)	(666,842)	(4,016,920)
Attributable to:					
Equity holders of the Company		(379,432)	(388,407)	(1,261,842)	(4,259,129)
Non-controlling interests		(194,639)	(95,454)	595,000	242,209
		(574,071)	(483,861)	(666,842)	(4,016,920)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	5	(0.51) fils	(0.52) fils	(1.68) fils	(5.68) 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 2020

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Loss for the period	(574,071)	(483,861)	(666,842)	(4,016,920)
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	(885,947)	(41,830)	(1,316,041)	287,048
	(885,947)	(41,830)	(1,316,041)	287,048
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Fair value (loss) gain on financial assets at fair value through other comprehensive income	(508)	31,802	32,479	5,436,256
Total other comprehensive (loss) income for the period	(886,455)	(10,028)	(1,283,562)	5,723,304
Total comprehensive (loss) income for the period	(1,460,526)	(493,889)	(1,950,404)	1,706,384
Attributable to:				
Equity holders of the Company	(952,224)	(390,583)	(2,068,741)	1,338,544
Non-controlling interests	(508,302)	(103,306)	118,337	367,840
	(1,460,526)	(493,889)	(1,950,404)	1,706,384

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 2020

	<i>Attributable to the equity holders of the Company</i>										
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Other reserves KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Fair value reserve KD</i>	<i>Accumulated losses KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2020 (<i>Audited</i>)	75,000,000	193,550	472,723	314,957	(700,997)	(7,721,343)	139,871	(43,405,601)	24,293,160	2,873,315	27,166,475
(Loss) profit for the period	-	-	-	-	-	-	-	(1,261,842)	(1,261,842)	595,000	(666,842)
Other comprehensive (loss) income for the period	-	-	-	-	-	(827,767)	20,868	-	(806,899)	(476,663)	(1,283,562)
Total comprehensive (loss) income for the period	-	-	-	-	-	(827,767)	20,868	(1,261,842)	(2,068,741)	118,337	(1,950,404)
Dividends payable to non-controlling interests	-	-	-	-	-	-	-	-	-	(360,623)	(360,623)
Hyperinflation adjustment (Note 7)	-	-	-	-	-	-	-	1,768,254	1,768,254	983,892	2,752,146
As at 30 September 2020	75,000,000	193,550	472,723	314,957	(700,997)	(8,549,110)	160,739	(42,899,189)	23,992,673	3,614,921	27,607,594
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 to non-controlling interests	-	-	-	-	-	-	-	-	-	(91,521)	(91,521)
Hyperinflation adjustment (Note 7)	-	-	-	-	-	-	-	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

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 CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2020

	Note	<i>Nine months ended</i>	
		<i>30 September</i>	
		2020	2019
		KD	KD
OPERATING ACTIVITIES			
Loss for the period before provision for tax		(315,920)	(3,619,355)
<i>Adjustments to reconcile loss for the period before provision for tax to net cash flows:</i>			
(Gain) loss from sale of property and equipment		(621,412)	18,499
Finance income		(246,246)	(136,366)
Unrealised loss on financial assets at fair value through profit or loss		949,906	2,970,637
Share of results of associates		(126,019)	(121,062)
Allowance for expected credit losses of receivables		1,195,528	584,486
Provision for slow moving inventory		440,842	-
Employees' end of service benefits provided		28,348	19,905
Depreciation		315,766	637,753
Depreciation of right-of-use assets		84,933	56,634
Finance costs		28,281	120,491
Foreign exchange differences		(1,787,742)	(485,255)
Monetary (gain) loss from hyperinflation		(745,705)	4,560
		(799,440)	50,927
Working capital adjustments:			
Inventories		(835,279)	(315,494)
Account receivables and other debit balances		2,486,543	(2,172,225)
Account payables and other liabilities		(505,655)	2,329,308
Cash flows from (used in) operations		346,169	(107,484)
Employees' end of service benefits paid		(44,176)	-
NLST paid		(48,276)	(38,942)
Zakat paid		(19,313)	(15,577)
Net cash flows from (used in) operating activities		234,404	(162,003)
INVESTING ACTIVITIES			
Purchase of property and equipment		(19,410)	(699,400)
Proceeds from sale of financial assets at fair value through other comprehensive income		-	20,042,302
Proceeds from sale of property and equipment		264,822	56,211
Finance income received		450,637	54,692
Net movement in restricted bank balances and deposits		21,062	(2,284)
Net cash flows from investing activities		717,111	19,451,521
FINANCING ACTIVITIES			
Finance costs paid		(6,239)	(92,447)
Proceeds from murabaha payables		38,367	65,902
Repayment of murabaha payables		(24,654)	(5,200,707)
Payment of lease liabilities		(118,489)	(87,357)
Net cash flows used in financing activities		(111,015)	(5,314,609)
Effect of foreign currency translation and hyperinflation adjustments		928,565	55,612
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,769,065	14,030,521
Cash and cash equivalents as at the beginning of the period		15,597,810	1,963,407
CASH AND CASH EQUIVALENTS AS AT THE END OF THE PERIOD	3	17,366,875	15,993,928

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 2020

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 were 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;
- ▶ 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 interim condensed consolidated financial information of the Company and its subsidiaries (collectively the “Group”) for the nine months period ended 30 September 2020 were authorised for issuance in accordance with a resolution of the Board of Directors of the Company on 11 November 2020.

The Annual General Assembly meeting (AGM) of the Company for the year ended 31 December 2019 held on 18 June 2020, approved the consolidated financial statements of the Group for the year then ended; and no dividends were declared for the year ended 31 December 2019.

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

2.1. Basis of preparation

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

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

The interim condensed consolidated financial information of the Group does not include all the information and disclosures required in the annual audited consolidated financial statements and should be read in conjunction with the Group’s annual audited consolidated financial statements for the year ended 31 December 2019. 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 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended 31 December 2019.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

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 adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

3 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2020</i>	<i>(Audited) 31 December 2019</i>	<i>30 September 2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	2,107,268	1,867,515	3,022,187
Wakala deposit	15,266,000	13,757,750	13,000,000
Cash and cash equivalents as per the interim condensed consolidated statement of financial position	17,373,268	15,625,265	16,022,187
Restricted bank balances	(6,393)	(27,455)	(28,259)
Cash and cash equivalents as per the interim condensed consolidated statement of cash flows	17,366,875	15,597,810	15,993,928

Restricted bank balances of KD 6,393 (31 December 2019: KD 27,455 and 30 September 2019: KD 28,259) represent margin deposits secured against bank facilities.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

4 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>Parent Company KD</i>	<i>Entities under common control KD</i>	30 September 2020 KD	<i>(Audited) 31 December 2019 KD</i>	<i>30 September 2019 KD</i>
Account receivables and other debit balances	-	114,075	-	114,075	863,568	1,413,305
Cash and cash equivalents	918,759	-	-	918,759	1,121,811	1,526,192
Account payables and other liabilities	-	-	576	576	34,330	-

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

	<i>Ultimate Parent Company KD</i>	<i>Nine months ended 30 September</i>	
		2020 KD	<i>2019 KD</i>
Finance income	10,164	10,164	58,904
Finance costs	-	-	75,872

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>	
	2020 KD	<i>2019 KD</i>	2020 KD	<i>2019 KD</i>
Salaries and short-term benefits	50,778	66,706	187,639	195,539
Termination benefits	1,780	2,627	6,777	8,952
	52,558	69,333	194,416	204,491

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

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

Basic and diluted loss per share attributable to equity holders of the Company is computed by dividing the results 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</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Loss for the period attributable to equity holders of the Company	<u>(379,432)</u>	<u>(388,407)</u>	<u>(1,261,842)</u>	<u>(4,259,129)</u>
Weighted average number of outstanding shares	<u>750,000,000</u>	<u>750,000,000</u>	<u>750,000,000</u>	<u>750,000,000</u>
Basic and diluted loss per share attributable to equity holders of the Company	<u>(0.51) fils</u>	<u>(0.52) fils</u>	<u>(1.68) fils</u>	<u>(5.68) fils</u>

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

6 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, lease 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:

	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
30 September 2020				
Financial assets measured fair value				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	<u>159,014</u>	<u>-</u>	<u>-</u>	<u>159,014</u>
Financial assets at fair value through profit or loss				
Quoted fund	<u>-</u>	<u>265,088</u>	<u>-</u>	<u>265,088</u>
Unquoted fund	<u>-</u>	<u>-</u>	<u>2,220,199</u>	<u>2,220,199</u>
	<u>-</u>	<u>265,088</u>	<u>2,220,199</u>	<u>2,485,287</u>
	<u>159,014</u>	<u>265,088</u>	<u>2,220,199</u>	<u>2,644,301</u>

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6 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial instruments (continued)

	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>31 December 2019</i>				
<i>Financial assets measured fair value</i>				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity securities	153,208	-	-	153,208
<i>Financial assets at fair value through profit or loss</i>				
Quoted fund	-	261,498	-	261,498
Unquoted fund	-	-	3,139,284	3,139,284
	-	261,498	3,139,284	3,400,782
	153,208	261,498	3,139,284	3,553,990
<i>30 September 2019</i>				
<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
		122,089	3,400,783	3,522,872

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 2020 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 2020 KD</i>
<i>Financial assets at fair value through profit or loss</i>					
Unquoted fund	3,139,284	(953,497)	34,412	-	2,220,199
<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	(3,220,175)	(4,926)		3,139,284

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6 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	<i>As at 1 January 2019</i>	<i>Loss recorded in the consolidated statement of income</i>	<i>Gain recorded in consolidated statement of comprehensive income</i>	<i>Net purchases, sales, transfers and settlements</i>	<i>As at 30 September 2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>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

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 2020.

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%.

7 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 2020	4,394.800	1.565
30 June 2020	2,339.214	1.076
31 March 2020	2,337.322	1.077
31 December 2019	2,159.900	1.103
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

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7 HYPERINFLATION ADJUSTMENTS (continued)

The above mentioned restatement has been accounted for as follows:

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

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

The hyperinflation adjustment of KD 2,752,146 (31 December 2019: KD 1,014,970 and 30 September 2019: KD 602,102) in the books of Hagleig, up to 30 September 2020, has been adjusted directly in the interim condensed consolidated statement of changes in equity.

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

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Property and equipment	1,609,004	604,012	357,900
Investment in associate	44,851	17,845	20,781
Inventories	755,097	70,963	78,174
Other impact on the interim condensed consolidated statements of income and changes in equity	1,088,899	294,324	140,687
	<u>3,497,851</u>	<u>987,144</u>	<u>597,542</u>

Interim condensed consolidated statement of changes in equity:

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Attributable to:			
Equity holders of the Company	1,768,254	652,118	386,851
Non-controlling interests	983,892	362,852	215,251
	<u>2,752,146</u>	<u>1,014,970</u>	<u>602,102</u>

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

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7 HYPERINFLATION ADJUSTMENTS (continued)

Interim condensed consolidated statement of income:

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Equity holders of the Company	479,115	(17,878)	(2,930)
Non-controlling interests	266,590	(9,948)	(1,630)
	745,705	(27,826)	(4,560)
Total impact of hyperinflation	3,497,851	987,144	597,542

8 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

A subsidiary of the Company is currently in an ongoing dispute with their joint operations partner for breach of the terms and conditions of the profit sharing agreement. Further, the joint operations partner has also filed a notice of breach against the subsidiary relating to the ownership of the equipment involved in the joint operations.

These cases are presently under arbitration with the London Court of International Arbitration (LCIA). The external legal counsel of the Group believes that this dispute is at a preliminary stage and therefore, the outcome of the case cannot be predicted with reasonable certainty. However, management believes that the final result of the arbitration proceedings is not likely to have a material impact on the interim condensed consolidated financial information of the Group.

Capital commitments:

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Commitment towards contribution of fund (held as financial assets through profit or loss)	438,327	477,592	533,504

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2020

9 SEGMENT INFORMATION (continued)

The following table present revenue and results information of the Group's operating segments for the nine months period ended 30 September 2020 and 30 September 2019, respectively:

	<i>Energy KD</i>	<i>Contracting KD</i>	<i>Others KD</i>	<i>Total KD</i>
30 September 2020				
Total segment revenues	1,093,863	1,315,002	-	2,408,865
Share of results from associate	-	126,019	-	126,019
Unrealised loss on financial assets at fair value through profit or loss	-	-	(949,906)	(949,906)
(Loss) income for the period	(1,633,064)	1,998,629	(1,032,407)	(666,842)
Other disclosures:				
Provision for slow moving inventory	-	440,842	-	440,842
Allowance for expected credit losses of receivables	1,195,528	-	-	1,195,528
Finance costs	22,042	6,239	-	28,281
30 September 2019				
Total segment revenues	2,997,033	1,751,767	-	4,748,800
Share of results from associate	-	121,062	-	121,062
Unrealised loss on financial assets at fair value through profit or loss	-	-	(2,970,637)	(2,970,637)
(Loss) income for the period	(1,971,443)	1,014,483	(3,059,960)	(4,016,920)
Other disclosures:				
Allowance for expected credit losses of receivables	584,486	-	-	584,486
Finance costs	104,915	16,576	-	120,491

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2020, 31 December 2019 and 30 September 2019, respectively:

	<i>Energy KD</i>	<i>Contracting KD</i>	<i>Others KD</i>	<i>Total KD</i>
As at 30 September 2020				
Total segment assets	17,530,085	12,751,621	2,238,823	32,520,529
Total segment liabilities	2,731,908	2,140,379	40,648	4,912,935
As at 31 December 2019 (Audited)				
Total segment assets	18,907,675	9,951,699	3,216,314	32,075,688
Total segment liabilities	3,137,815	1,750,585	20,813	4,909,213
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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9 SEGMENT INFORMATION (continued)

i) Secondary segment information:

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

	30 September 2020				30 September 2019			
	<i>Kuwait</i> <i>KD</i>	<i>MENA</i> <i>KD</i>	<i>Outside</i> <i>MENA</i> <i>KD</i>	<i>Total</i> <i>KD</i>	<i>Kuwait</i> <i>KD</i>	<i>MENA</i> <i>KD</i>	<i>Outside</i> <i>MENA</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Segment revenue	-	2,408,865	-	2,408,865	-	4,748,800	-	4,748,800
Segment results	(36,233)	401,798	(1,032,407)	(666,842)	(365,346)	(591,614)	(3,059,960)	(4,016,920)

10 IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. The outbreak of COVID-19, globally caused disruptions to businesses and economic activity globally and necessitated the Group’s management to revisit its significant judgments in applying the Group’s accounting policies and the methods of computation and the key sources of estimation applied to the interim condensed consolidated financial information for the period ended 30 September 2020. Further, measures taken by various governments to contain the virus have affected economic activity and the Group’s business in various significant ways.

The Group has experienced a decline in contract and services revenues by 25% and 64% respectively on a year-on-year basis in the current period, as a result of various factors including decreased demand due to the COVID-19 outbreak. Further, the Group has also experienced a decline in the fair values of some of its financial assets. The Group has evaluated the current situation by assessing the impact on expected impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include commencing review of investment exposure concentrations and credit exposure concentrations.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the Group’s activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Group’s operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 September 2020.

Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 30 September 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as its financial assets primarily constitute cash and cash equivalents and account receivables. The Group’s exposure to credit risk with regard to cash and cash equivalents is limited as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies. The Group’s exposure to credit risk on its accounts receivables is also limited as the customers primarily include government entities and reputed business groups. Further, the receivable balances are monitored by the Group on an ongoing basis to minimize the Group’s exposure to defaults.

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10 IMPACT OF COVID-19 OUTBREAK (continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Group's exposure to liquidity risk is limited since the Group generally maintains the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. However, on a prudential basis, management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure.

Use of estimates and assumptions

In application of the Group's accounting policies, management has assessed potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial and non-financial assets. These judgements, estimates and assumptions are based on management's best assessment given the available market information when the interim condensed consolidated financial information is prepared.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

Investment properties, property and equipment and investment in associate (non-financial assets)

As at the reporting date, the Group has not identified any significant impact on the carrying values of its non-financial assets as at 30 September 2020, due to the uncertainty involved in determining effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price, depending on the approach used in determining the value of these assets for impairment assessment purposes.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continue to assess further the impact on cash flows as well as valuation inputs in the upcoming quarters as there is new information to consider.

Fair value measurement of financial instruments

The Group has considered potential impacts of the current economic volatility in determination of the reported amounts of the Group's financial assets, and this represents management's best assessment based on observable available information as at the reporting date. With respect to the Group's account receivables, the Group uses the simplified model in calculation the ECL for trade receivables that do not contain a significant financing component by establishing 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 assumptions and estimates considered in the determination of the ECL amounts may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers such as extension of payment terms for trade receivables. The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods. The Group is also closely monitoring whether the fair values of the investment securities classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss represent the price that would be achieved for transactions between market participants in the current scenario.

Subsequent events

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Group for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this interim condensed consolidated financial information. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.