

**Senergy Holding Company K.S.C.P.  
and its Subsidiaries**

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

**30 SEPTEMBER 2019**



Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74  
18-20th Floor, Baitak Tower  
Ahmed Al Jaber Street  
Safat Square 13001, Kuwait

Tel: +965 2 295 5000  
Fax: +965 2 245 6419  
kuwait@kw.ey.com  
ey.com/mena

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

### **Report on Review of Interim Condensed Consolidated Financial Information**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Senergy Holding Company K.S.C.P. (“the Parent Company”) and its subsidiaries (collectively the “Group”) as at 30 September 2019, and the related interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine-month period then ended. The management of the Parent 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 the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim 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 9 (a) to the interim condensed consolidated financial information which describes that on 21 July 2016, the co-venturer of Emirates Western Petroleum Services L.L.C. (‘Emirates Western’), a joint venture indirectly held by the Group through Senergy Services Company K.S.C.C. (“Subsidiary”), filed a legal action against the Subsidiary in relation to alleged non-performance under a management agreement claiming an amount of AED 35,348,822 (equivalent to KD 2,928,990) in addition to the legal expenses and 12% delay interest. On 20 November 2016, the Subsidiary filed a counter claim before the court, requesting the appointment of a committee of experts to investigate the violations of the co-venturer and evaluate the damages and losses the Subsidiary incurred due to such breach. During the period, the court issued an unfavourable judgement against the Subsidiary, for which an appeal was filed. Subsequent to the reporting date, the Court accepted the appeal filed by the Subsidiary and assigned an experts committee to verify the elements of the appeal and submit their findings accordingly. The ultimate outcome of the matter cannot presently be determined, and accordingly no provision for any liability that may result has been recognised in the interim condensed consolidated financial information as at 30 September 2019.

Our conclusion is not modified in respect of this matter.

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

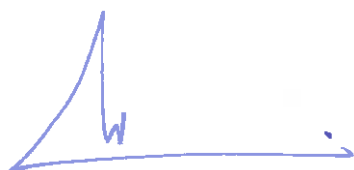
**Report on Review of Interim Condensed Consolidated Financial Information (continued)**

*Other Matter*

The consolidated financial statements of the Group for the year ended 31 December 2018 and the interim condensed consolidated financial information for the nine-month period ended 30 September 2018 were audited and reviewed, respectively, by another auditor who expressed an unmodified opinion and conclusion on those statements on 25 March 2019 and 11 November 2018, respectively.

**Report on other Legal and Regulatory Requirement**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent 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 the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the nine-month period ended 30 September 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER  
LICENCE NO. 207-A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

11 November 2019  
Kuwait

Senergy Holding Company K.S.C.P. and its Subsidiaries


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)

As at 30 September 2019

		<i>(Audited)</i>	
	<i>Notes</i>	<i>30 September 2019 KD</i>	<i>31 December 2018 KD</i>
			<i>30 September 2018 KD</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		6,820,396	6,820,396
Property, plant and equipment		2,942,005	3,149,579
Investment properties		1,717,295	1,766,276
Financial assets at fair value through other comprehensive income		80,820	81,193
Wakala deposit		1,148,200	-
		<u>12,708,716</u>	<u>11,817,444</u>
			<u>11,954,792</u>
<b>Current assets</b>			
Inventories		283,580	330,712
Wakala deposit		513,750	1,703,404
Amounts due from related parties	4	1,249,755	1,248,970
Trade and other receivables		3,690,201	2,626,586
Financial assets at fair value through profit or loss		3,552	5,801
Cash and bank balances	3	1,865,764	2,336,784
		<u>7,606,602</u>	<u>8,252,257</u>
			<u>9,104,140</u>
<b>TOTAL ASSETS</b>		<u><u>20,315,318</u></u>	<u><u>20,069,701</u></u>
			<u><u>21,058,932</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	5	20,000,000	20,000,000
Share premium		181,866	181,866
Treasury shares	5	(181,866)	(181,866)
Treasury shares reserve		27,456	27,456
Fair value reserve		(40,629)	(40,629)
Foreign currency translation reserve		(241,067)	(143,886)
Accumulated losses		(5,639,603)	(4,966,433)
<b>Equity attributable to equity holders of the Parent</b>		<u>14,106,157</u>	<u>14,768,432</u>
<b>Company</b>		<u>2,093,277</u>	<u>2,316,533</u>
Non-controlling interests			2,381,090
<b>Total equity</b>		<u>16,199,434</u>	<u>17,084,965</u>
			<u>17,415,734</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits		562,278	625,406
Lease liabilities		116,663	-
		<u>678,941</u>	<u>625,406</u>
			<u>801,919</u>
<b>Current liabilities</b>			
Trade and other payables		3,398,865	2,359,330
Lease liabilities		38,078	-
		<u>3,436,943</u>	<u>2,359,330</u>
			<u>2,841,279</u>
<b>Total liabilities</b>		<u>4,115,884</u>	<u>2,984,736</u>
			<u>3,643,198</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>20,315,318</u></u>	<u><u>20,069,701</u></u>
			<u><u>21,058,932</u></u>



Nasser Bader Al Sharthan  
Vice Chairman



Mohammad Hamad Al Salem  
Chief Executive Officer

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Senergy Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
(UNAUDITED)

For the period ended 30 September 2019

	Note	<i>Three months ended</i> <i>September 30</i>		<i>Nine months ended</i> <i>30 September</i>	
		<b>2019</b> <b>KD</b>	<b>2018</b> <b>KD</b>	<b>2019</b> <b>KD</b>	<b>2018</b> <b>KD</b>
Revenue from contracts with customers		635,559	772,003	1,839,937	2,287,063
Cost of sales		(575,554)	(614,533)	(1,697,022)	(1,933,079)
<b>GROSS PROFIT</b>		<b>60,005</b>	<b>157,470</b>	<b>142,915</b>	<b>353,984</b>
Rental income		71,858	78,340	212,473	248,418
Commission income		62,029	47,604	121,048	169,891
Income from Islamic deposits		6,680	2,380	10,801	7,141
Net foreign exchange differences		35,659	1,894	13,559	(13,718)
Other income		22,117	3,536	61,289	33,214
<b>TOTAL INCOME</b>		<b>258,348</b>	<b>291,224</b>	<b>562,085</b>	<b>798,930</b>
General and administrative expenses		(390,132)	(344,152)	(1,053,863)	(1,008,306)
Depreciation and amortisation		(32,349)	(22,460)	(99,381)	(68,570)
Allowance for expected credit losses		-	(12,011)	-	(127,286)
Finance costs		(2,212)	(504)	(6,978)	(1,731)
<b>TOTAL EXPENSES</b>		<b>(424,693)</b>	<b>(379,127)</b>	<b>(1,160,222)</b>	<b>(1,205,893)</b>
<b>LOSS BEFORE TAX</b>		<b>(166,345)</b>	<b>(87,903)</b>	<b>(598,137)</b>	<b>(406,963)</b>
Taxation from foreign subsidiaries		(17,328)	(19,654)	(51,658)	(57,609)
<b>LOSS FOR THE PERIOD</b>		<b>(183,673)</b>	<b>(107,557)</b>	<b>(649,795)</b>	<b>(464,572)</b>
<b>Loss for the period attributable to:</b>					
Equity holders of the Parent Company		(184,082)	(106,350)	(618,661)	(426,614)
Non-controlling interests		409	(1,207)	(31,134)	(37,958)
		<b>(183,673)</b>	<b>(107,557)</b>	<b>(649,795)</b>	<b>(464,572)</b>
<b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	6	<b>(0.92) fils</b>	<b>(0.53) fils</b>	<b>(3.09) fils</b>	<b>(2.14) fils</b>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

**Senergy 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</i>		<i>Nine months ended</i>	
	<i>September 30</i>		<i>30 September</i>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Loss for the period</b>	<b>(183,673)</b>	<b>(107,557)</b>	<b>(649,795)</b>	<b>(464,572)</b>
<b>Other comprehensive income (loss):</b>				
<i>Other comprehensive income (loss) loss that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	55,534	(61,726)	(145,039)	(190,198)
<b>Other comprehensive income (loss) for the period</b>	<b>55,534</b>	<b>(61,726)</b>	<b>(145,039)</b>	<b>(190,198)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(128,139)</b>	<b>(169,283)</b>	<b>(794,834)</b>	<b>(654,770)</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	(146,616)	(122,416)	(715,842)	(553,719)
Non-controlling interests	18,477	(46,867)	(78,992)	(101,051)
	<b>(128,139)</b>	<b>(169,283)</b>	<b>(794,834)</b>	<b>(654,770)</b>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Senergy 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

Equity attributable to the equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2019	20,000,000	181,866	(181,866)	27,456	(40,629)	(143,886)	(5,074,509)	14,768,432	2,316,533	17,084,965
Loss for the period	-	-	-	-	-	-	(618,661)	(618,661)	(31,134)	(649,795)
Other comprehensive loss for the period	-	-	-	-	-	(97,181)	-	(97,181)	(47,858)	(145,039)
Total comprehensive loss for the period	-	-	-	-	-	(97,181)	(618,661)	(715,842)	(78,992)	(794,834)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	53,567	53,567	(144,264)	(90,697)
<b>At 30 September 2019</b>	<b>20,000,000</b>	<b>181,866</b>	<b>(181,866)</b>	<b>27,456</b>	<b>(40,629)</b>	<b>(241,067)</b>	<b>(5,639,603)</b>	<b>14,106,157</b>	<b>2,093,277</b>	<b>16,199,434</b>
As at 1 January 2018	20,000,000	181,866	(181,866)	27,456	(16,481)	117,207	(5,320,769)	1,4807,413	4,052,792	18,860,205
Loss for the period	-	-	-	-	-	-	(426,614)	(426,614)	(37,958)	(464,572)
Other comprehensive loss for the period	-	-	-	-	-	(127,105)	-	(127,105)	(63,093)	(190,198)
Total comprehensive loss for the period	-	-	-	-	-	(127,105)	(426,614)	(553,719)	(101,051)	(654,770)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	780,950	780,950	(1,570,651)	(789,701)
<b>At 30 September 2018</b>	<b>20,000,000</b>	<b>181,866</b>	<b>(181,866)</b>	<b>27,456</b>	<b>(16,481)</b>	<b>(9,898)</b>	<b>(4,966,433)</b>	<b>15,034,644</b>	<b>2,381,090</b>	<b>17,415,734</b>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

# Senergy Holding Company K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 September 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(598,137)	(406,963)
<i>Non-cash adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation of property, plant and equipment		542,026	618,262
Amortization of right-of-use assets		26,787	-
Provision for employees' end of service benefits		109,228	116,252
Allowance for expected credit losses on trade receivables		-	127,286
Reversal of provision no longer required		(26,514)	(3,241)
Finance costs		6,764	1,731
Income from Islamic deposits		(10,801)	(7,141)
Unrealised loss on financial assets at FVTPL		1,170	-
Provision for tax in foreign subsidiaries		51,658	57,609
		<b>102,181</b>	<b>503,795</b>
<i>Working capital adjustment:</i>			
Inventories		12,125	(12,288)
Trade and other receivables		(1,108,192)	1,801,313
Amounts due from related parties		(785)	(1,179)
Trade and other payables		1,069,634	(643,332)
		<b>74,963</b>	<b>1,648,309</b>
Cash flows (used in) from operations		(67,055)	(90,896)
Taxes paid		(172,356)	(39,167)
End of service benefits paid			
<b>Net cash flows (used in) from operating activities</b>		<b>(164,448)</b>	<b>1,518,246</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(201,391)	(316,102)
Proceeds from sale of financial assets at FVOCI		373	216,615
Proceeds from sale of financial assets at FVTPL		1,079	-
Movement in wakala deposits		40,898	(1,250,000)
Net investment income received		10,801	7,141
Net movement in term deposits		-	653
Movement in restricted cash balances		(5,047)	-
<b>Net cash used in investment activities</b>		<b>(153,287)</b>	<b>(1,341,693)</b>
<b>FINANCING ACTIVITIES</b>			
Lease liabilities paid		(30,600)	-
Finance costs paid		-	(1,731)
Acquisition of non-controlling interests in a subsidiary		(90,697)	(789,701)
<b>Net cash used in financing activities</b>		<b>(121,297)</b>	<b>(791,432)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>(439,032)</b>	<b>(614,879)</b>
Cash and cash equivalents at 1 January		2,304,654	3,378,367
Net foreign exchange differences		(37,035)	-
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	3	<b>1,828,587</b>	<b>2,763,488</b>
<b>NON-CASH ITEMS</b>			
Transitional adjustment to property, plant and equipment on adoption of IFRS 16 (Adjusted with property, plant and equipment)		(178,577)	-
Transitional adjustment to lease liabilities on adoption of IFRS 16 (Adjusted with lease liabilities)		178,577	-

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.



# Senergy Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

### 1. CORPORATE INFORMATION

The interim condensed consolidated financial information of Senergy Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2019 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 11 November 2019.

The Parent Company was incorporated in the State of Kuwait on 22 March 1983 and its shares are publicly traded on Bourse Kuwait. The Parent Company's registered office is located at Hawalli, Beirut Street, Al-Safat Group Headquarters, – Floor 7, and its registered postal address is P.O. Box 27728, Al Safat 13138, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved in the annual general assembly meeting (AGM) of the shareholders of the Parent Company held on 14 May 2019.

The Parent Company carries out its activities in accordance with the Islamic Sharia'a. The principal activities as defined in the Parent Company's Articles of Association are, as follows:

- ▶ Owning shares of Kuwaiti or foreign shareholding and limited liabilities companies as well as participating in forming, administering, financing, and providing third party guarantees for these companies.
- ▶ Financing companies owned or guaranteeing them against third parties provided that the contribution ratio of the holding company in the capital of these companies shall not be less than at least 20%.
- ▶ Owning industrial rights for patents, trade names, designs and leasing the same to other companies for their use inside or outside Kuwait.
- ▶ Owning movable and real estate properties that are necessary to practice its activities in accordance to the law.
- ▶ Use of surplus funds available with the Parent Company by investing it in portfolios managed by specialized companies.

### 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 also the functional currency of the Parent Company.

The interim condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

The interim condensed consolidated financial information provides comparative information in respect of the previous period. Certain reclassifications have been made to conform the prior period's financial information and notes thereto to current period's presentation.

#### 2.2 New standards, interpretation and amendments adopted by the Group

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the most recent annual audited consolidated financial statements for the year ended 31 December 2018, except for the changes of the accounting policies as mentioned below with respect to adoption of IFRS 16 'Leases'.

The Group has not early adopted any other standard, interpretation or amendment that has been issued or not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

# Senergy Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

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

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

##### IFRS 16: Leases ("IFRS 16")

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. 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 Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the retained earnings as at 1 January 2019. The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities separately in the interim condensed statement of financial position.

The impact on the interim condensed consolidated statement of financial position (increase/ (decrease)) as at 1 January 2019:

	<i>KD</i>
<b>Assets</b>	
Property, plant and equipment	178,577
	<u>178,577</u>
<b>Liabilities</b>	
Lease liabilities	178,577
	<u>178,577</u>

##### a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss 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, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

##### *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

As at and for the period ended 30 September 2019

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

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

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

**b) Summary of new accounting policies**

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

▶ *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.

▶ *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 borrowing rate at the lease commencement date if the borrowing 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 finance cost 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.

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 5.5% at the reporting date.

▶ *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

▶ *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 periods. 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).

# Senergy Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

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

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

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

#### c) Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

##### Amount recognized in the statement of financial position

Set out below are the carrying amount of the Group's right-of-use assets and lease liabilities and the movement during the period:

	<i>Right-of-use assets KD</i>	<i>Lease Liabilities KD</i>
At 1 January 2019	178,577	178,577
Depreciation expense	(26,787)	-
Finance costs	-	6,764
Payments	-	(30,600)
<b>At 30 September 2019</b>	<b>151,790</b>	<b>154,741</b>

As a result of adoption of IFRS 16, the general and administrative expenses are lower by KD 30,600, and depreciation expenses are higher to the extent of KD 26,787.

### 3 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 September 2018 KD</i>
Cash on hand	19,623	22,147	23,283
Cash and bank balances	1,846,141	2,314,637	2,746,082
<b>Total cash and bank balances</b>	<b>1,865,764</b>	<b>2,336,784</b>	<b>2,769,365</b>
Less: restricted cash balances	(37,177)	(32,130)	(5,877)
<b>Total cash and cash equivalents</b>	<b>1,828,587</b>	<b>2,304,654</b>	<b>2,763,488</b>

# Senergy Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

### 4 RELATED PARTY DISCLOSURES

These represent transactions with certain parties (associates, major shareholders, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise control or significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	<b>30 September</b>	<i>(Audited)</i> <b>31 December</b>	<b>30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	
	<b>KD</b>	<b>KD</b>	<b>KD</b>	
<b>Balances included in the interim condensed consolidated statement of financial position:</b>				
Financial assets at fair value through profit or loss	<u>3,552</u>	<u>5,801</u>	<u>6,405</u>	
<b>Amounts due from related parties</b>				
Receivables from related parties	<b>1,433,174</b>	1,432,389	447,225	
Less: Allowance for expected credit losses	<b>(183,419)</b>	(183,419)	(183,419)	
	<u>1,249,755</u>	<u>1,248,970</u>	<u>263,806</u>	
	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Transactions included in the interim condensed consolidated statement of profit or loss:</b>				
General and administrative expenses	<u>712</u>	<u>795</u>	<u>2,382</u>	<u>1,869</u>

#### Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by management. Outstanding balances at the reporting are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables.

#### Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions related to key management personnel were as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Key management personnel benefits and salaries:</b>				
Salaries and other short-term benefits	<b>92,040</b>	77,717	<b>248,807</b>	233,152
End of service benefits	<b>6,457</b>	5,092	<b>17,653</b>	15,275
	<u>98,497</u>	<u>82,809</u>	<u>266,460</u>	<u>248,427</u>

# Senergy Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

### 5 SHARE CAPITAL AND TREASURY SHARES

#### (i) Share capital

At 30 September 2019, the authorised, issued and fully paid-up capital of the Parent Company comprises of 200,000,000 (31 December 2018: 200,000,000 and 30 September 2018: 200,000,000) shares of 100 fils each. All shares are paid in cash.

#### (ii) Treasury shares

	<i>30 September</i> <i>2019</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i>	<i>30 September</i> <i>2018</i>
Number of shares	277,468	277,468	277,468
Percentage of issued shares (%)	0.14	0.14	0.14
Market value (KD)	5,359	7,908	7,908
Cost (KD)	181,866	181,866	181,866

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

### 6 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Loss for the period attributable to equity holders of the Parent Company (KD)	<u>(184,082)</u>	<u>(106,350)</u>	<u>(618,661)</u>	<u>(426,614)</u>
Weighted average number of shares outstanding (shares)*	<u>199,722,532</u>	<u>199,722,532</u>	<u>199,722,532</u>	<u>199,722,532</u>
<b>Basic and diluted EPS (fils)</b>	<u><b>(0.92) fils</b></u>	<u><b>(0.53) fils</b></u>	<u><b>(3.09) fils</b></u>	<u><b>(2.14) fils</b></u>

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the period, if any.

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information.

## Senergy Holding Company K.S.C.P. and its Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

#### 7 SEGMENT INFORMATION

The Group considers that the operating units which offer products and special services constitute segments that are disclosed and reported as follows:

Investment management: The investment management segment is responsible for investing surplus funds in portfolios to maximise returns, incorporate or acquire subsidiaries and associates to expand the Group's operations, and to maintain an adequate capital base to sustain future development of the business.

Drilling and maintenance: Support activities to drilling of oil wells and related maintenance.

The Group's segmental information is as follows:

	Nine months ended 30 September 2019 (Unaudited)			Nine months ended 30 September 2018 (Unaudited)		
	Investment management KD	Drilling and maintenance KD	Total KD	Investment management KD	Drilling and maintenance KD	Total KD
Revenue from contracts with customers		1,839,937	1,839,937		2,287,063	2,287,063
Rental income	212,473	-	212,473	248,418	-	248,418
Commission revenue	-	121,048	121,048	-	169,891	169,891
Income from Islamic deposits	10,801	-	10,801	7,141	-	7,141
Net foreign exchange differences	(260)	13,819	13,559	(5,075)	(8,643)	(13,718)
Other income, net	(792)	62,081	61,289	17,150	16,064	33,214
<b>Total income</b>	<b>222,222</b>	<b>2,036,885</b>	<b>2,259,107</b>	<b>267,634</b>	<b>2,464,375</b>	<b>2,732,009</b>
Cost of sales		(1,697,022)	(1,697,022)		(1,933,079)	(1,933,079)
General and administrative expenses	(617,958)	(435,905)	(1,053,863)	(568,535)	(439,771)	(1,008,306)
Depreciation and amortisation	(58,254)	(41,127)	(99,381)	(3,890)	(64,680)	(68,570)
Allowance for expected credit losses	-	-	-	-	(127,286)	(127,286)
Finance costs	(6,978)	-	(6,978)	-	(1,731)	(1,731)
Taxation from foreign subsidiaries	-	(51,658)	(51,658)	-	(57,609)	(57,609)
<b>Total expenses and other charges</b>	<b>(683,190)</b>	<b>(2,225,712)</b>	<b>(2,908,902)</b>	<b>(572,425)</b>	<b>(2,624,156)</b>	<b>(3,196,581)</b>
<b>Segment loss</b>	<b>(460,968)</b>	<b>(188,827)</b>	<b>(649,795)</b>	<b>(304,791)</b>	<b>(159,781)</b>	<b>(464,572)</b>

Senergy Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

7 SEGMENT INFORMATION (continued)

	30 September 2019 (Unaudited)		31 December 2018 (Audited)		30 September 2018 (Unaudited)		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD	Total KD
Total assets	9,346,855	10,968,463	20,315,318	9,454,946	10,614,755	20,069,701	21,058,932
Total liabilities	810,460	3,305,424	4,115,884	697,106	2,287,630	2,984,736	3,643,198
Goodwill	4,120,190	2,700,206	6,820,396	4,120,190	2,700,206	6,820,396	6,820,396



# Senergy Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

### 8 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of its assets and liabilities by valuation technique:

- ▶ 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.

The following table provides the fair value measurement hierarchy of the Group's financial instruments recognised at fair value on a recurring basis:

	<i>Fair value measurement using</i>		
	<i>30 September 2019 (Level 3) KD</i>	<i>31 December 2018 (Level 3) KD</i>	<i>30 September 2018 (Level 3) KD</i>
<b>30 September 2019</b>			
<b>Financial assets at fair value through other comprehensive income</b>			
Unquoted equity shares	80,820	81,193	107,370
<b>Financial assets at fair value through profit or loss</b>			
Unquoted equity shares	3,552	5,801	6,405
<b>Total</b>	<b>84,372</b>	<b>86,994</b>	<b>113,775</b>

#### Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
<b>30 September 2019</b>			
As at 1 January 2019	81,193	5,801	86,994
Remeasurement recognised in profit or loss	-	(1,170)	(1,170)
Purchases / sales (net)	(373)	(1,079)	(1,452)
As at 30 September 2019	<b>80,820</b>	<b>3,552</b>	<b>84,372</b>

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
<b>31 December 2018</b>			
As at 1 January 2018	-	6,674	6,674
IFRS 9 transition adjustment	323,985	-	323,985
Remeasurement recognised in OCI	(25,775)	-	-
Remeasurement recognised in profit or loss	-	(873)	(26,648)
Purchases / sales (net)	(217,017)	-	(217,017)
As at 31 December 2018	<b>81,193</b>	<b>5,801</b>	<b>86,994</b>

# Senergy Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

### 8 FAIR VALUE MEASUREMENT (continued)

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
<i>30 September 2018</i>			
As at 1 January 2018	-	6,674	-
IFRS 9 transition adjustment	323,985	-	323,985
Remeasurement recognised in OCI	-	-	-
Remeasurement recognised in profit or loss	-	(269)	-
Purchases / sales (net)	(216,615)	-	(216,615)
As at 30 September 2018	<u>107,370</u>	<u>6,405</u>	<u>113,775</u>

Management assessed that the fair values of other financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

For assets classified as level 3, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of similar assets; or other valuation techniques. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, there is no material impact on the interim condensed consolidated financial information.

No transfers have been made between the levels of the fair value hierarchy during the current period.

### 9 COMMITMENTS AND CONTINGENCIES

#### a) Legal claim contingency

The Group had an investment in a joint venture i.e. Emirates Western Petroleum Services W.L.L. ("Emirates Western"), a joint venture incorporated in United Arab Emirates and indirectly held by the Group through Senergy Services Company K.S.C.C. ("Subsidiary"). On 21 July 2016, the co-venturer filed a legal action against the Subsidiary in relation to alleged non-performance under a management agreement claiming an amount of AED 35,348,822 (equivalent to KD 2,928,990) in addition to the legal expenses and 12% delay interest.

On 20 November 2016, the Subsidiary filed a counter claim before the court, requesting the appointment of a committee of experts to investigate the violations of the co-venturer and evaluate the damages and losses the Subsidiary incurred due to such breach.

On 23 April 2019, an unfavourable judgement was handed down against the Subsidiary. However, the Subsidiary appealed against the decision. No payments have been made to the claimant pending outcome of the appeal. If upheld, a payment of AED 37,553,001 (equivalent to KD 3,108,151) will be required to settle the claim; in addition to the legal expenses and 5% delay interest until the final ruling.

Subsequent to the reporting date, the Court of Appeal accepted the appeal filed by the Subsidiary and issued a preliminary verdict to postpone the decision on the subject matter and assign a panel of three experts to verify the elements of the appeal and submit their findings accordingly. Notwithstanding the above, there is an uncertainty relating to the final outcome of this claim at the date of authorisation of this interim condensed consolidated financial information. Accordingly, no provision for any liability has been recognized by the Group in relation to this claim as at 30 September 2019.

#### b) Other contingent liabilities

At 30 September 2019, the Group has provided guarantees to an unrelated party for the performance of certain contracts, amounting to KD 1,220,710 (31 December 2018: KD 2,151,588 and 30 September 2018: KD 2,324,215) from which it is anticipated that no material liabilities will arise.