

**INTEGRATED HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND  
INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2019 (UNAUDITED)**

**Integrated Holding Company K.S.C.P. and its subsidiaries**

**Interim Condensed Consolidated Financial Information and Independent Auditor's Review Report (unaudited)**

**For the nine-month period ended 30 September 2019**

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**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF INTEGRATED HOLDING COMPANY K.S.C.P.**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Integrated Holding Company K.S.C.P. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2019 and the related interim condensed consolidated statements of income, comprehensive income for the three month and nine month periods then ended and the related interim condensed statement of changes in equity and cash flows for the nine month period then ended and other explanatory notes. The Parent Company's management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

**Scope of review**

Except as explained in the following paragraph, 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 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.

**Basis for qualified conclusion**

The Group's trade receivables as at 30 September 2019 included an amount of KD 1,094,207 due from one of the customers, of which past due are KD 407,202 for more than six months and KD 284,574 for more than one year. The Expected Credit Loss ("ECL") recognised for that customer as at reporting date amounted to KD 267,572. The management did not provide us with basis for the Loss Given Default ("LGD") used to estimate the ECL, while the customer is already in default. Had we been able to verify the basis of LGD used for this customer, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information.

**Qualified conclusion**

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, 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 International Accounting Standard 34, 'Interim financial reporting'.

**Report on other legal and regulatory requirements**

Furthermore, based on our review, except for the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention indicating that the interim condensed consolidated financial information is not 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 and its executive bylaw during the nine month period ended 30 September 2019 that might have had a material effect on the business of the group or on its financial position.

Khalid Ebrahim Al-Shatti  
Licence No 175-A  
PricewaterhouseCoopers (Al-Shatti & Co.)

14 November 2019  
Kuwait

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

**Interim condensed consolidated statement of financial position**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

	Note	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	6	75,547,526	73,389,643	72,862,401
Right-of-use assets	3	718,665	-	-
Intangible assets		711,408	711,350	711,381
		<u>76,977,599</u>	<u>74,100,993</u>	<u>73,573,782</u>
<b>Current assets</b>				
Inventories		1,001,479	1,033,960	1,089,883
Trade and other receivables	7	14,933,406	15,961,335	17,144,123
Bank balances and cash	8	2,098,285	4,769,603	1,616,232
		<u>18,033,170</u>	<u>21,764,898</u>	<u>19,850,238</u>
<b>Total assets</b>		<u><b>95,010,769</b></u>	<u><b>95,865,891</b></u>	<u><b>93,424,020</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital		22,000,000	22,000,000	22,000,000
Share premium		1,463,000	1,463,000	1,463,000
Statutory reserve		8,654,694	8,654,694	6,871,285
Foreign currency translation reserve		(18,381)	(13,941)	22,167
Retained earnings		35,621,066	37,410,634	36,009,408
<b>Total equity</b>		<u><b>67,720,379</b></u>	<u><b>69,514,387</b></u>	<u><b>66,365,860</b></u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		1,486,841	1,446,693	1,393,949
Lease liabilities		720,977	-	-
Borrowings	11	11,283,433	3,240,649	3,877,266
		<u>13,491,251</u>	<u>4,687,342</u>	<u>5,271,215</u>
<b>Current liabilities</b>				
Trade and other payables	10	8,252,053	18,771,838	18,331,459
Lease liabilities		29,068	-	-
Borrowings	11	5,518,018	2,892,324	3,455,486
		<u>13,799,139</u>	<u>21,664,162</u>	<u>21,786,945</u>
<b>Total liabilities</b>		<u><b>27,290,390</b></u>	<u><b>26,351,504</b></u>	<u><b>27,058,160</b></u>
<b>Total equity and liabilities</b>		<u><b>95,010,769</b></u>	<u><b>95,865,891</b></u>	<u><b>93,424,020</b></u>

Jassim Mustafa Boodai

Vice Chairman and Chief Executive Officer

The accompanying notes set out on pages 7 to 16 form an integral part of this interim condensed consolidated financial information.

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

**Interim condensed consolidated statement of income**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers		6,931,219	9,953,633	22,506,862	32,171,761
Cost of providing services		(3,142,711)	(5,412,531)	(13,394,398)	(15,571,818)
Cost of goods sold		-	(17,215)	(21,803)	(50,189)
<b>Gross profit</b>		<b>3,788,508</b>	<b>4,523,887</b>	<b>9,090,661</b>	<b>16,549,754</b>
General and administrative expenses	14	(635,582)	(766,835)	(2,011,546)	(3,049,939)
Net impairment (loss) / gain on financial asset:	7	(228,495)	38,753	(443,384)	(409,755)
Foreign exchange gain / (loss)		95,452	(1,262)	371,662	502,657
Other income	15	272,333	559,493	728,317	1,182,214
<b>Operating profit</b>		<b>3,292,216</b>	<b>4,354,036</b>	<b>7,735,710</b>	<b>14,774,931</b>
Finance costs		(142,943)	(75,326)	(377,073)	(310,273)
<b>Profit before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat</b>		<b>3,149,273</b>	<b>4,278,710</b>	<b>7,358,637</b>	<b>14,464,658</b>
Contribution to KFAS		(31,501)	(42,776)	(73,618)	(150,475)
NLST		(90,837)	(106,942)	(196,133)	(106,942)
Zakat		(34,217)	(42,777)	(78,454)	(156,259)
<b>Profit for the period</b>		<b>2,992,718</b>	<b>4,086,215</b>	<b>7,010,432</b>	<b>14,050,982</b>
<b>Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)</b>	12	<b>13.60</b>	<b>18.57</b>	<b>31.87</b>	<b>63.87</b>

The accompanying notes set out on pages 7 to 16 form an integral part of this interim condensed consolidated financial information.

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

**Interim condensed consolidated statement of comprehensive income**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

	<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>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period	<b>2,992,718</b>	4,086,215	<b>7,010,432</b>	14,050,982
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations	<b>(798)</b>	814	<b>(4,440)</b>	25,939
<b>Other comprehensive income for the period</b>	<b>(798)</b>	814	<b>(4,440)</b>	25,939
<b>Total comprehensive income for the period</b>	<b>2,991,920</b>	4,087,029	<b>7,005,992</b>	14,076,921

The accompanying notes set out on pages 7 to 16 form an integral part of this interim condensed consolidated financial information.

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

**Interim condensed consolidated statement of changes in equity**  
*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

	Attributable to owners of the Parent Company						Total equity
	Share capital	Share premium	Statutory reserve	Foreign currency translation reserve	Retained earnings		
<b>Balance as of 31 December 2017 (Audited)</b>	22,000,000	1,463,000	6,871,285	(3,772)	28,835,460	59,165,973	
Impact of adoption of IFRS 9 at 1 January 2018	-	-	-	-	(277,034)	(277,034)	
<b>Balance at 1 January 2018</b>	22,000,000	1,463,000	6,871,285	(3,772)	28,558,426	58,888,939	
Profit for the period	-	-	-	-	14,050,982	14,050,982	
Other comprehensive income for the period	-	-	-	25,939	-	25,939	
<b>Total comprehensive income for the period</b>	-	-	-	25,939	14,050,982	14,076,921	
Dividend distributed for the year 2017	-	-	-	-	(6,600,000)	(6,600,000)	
<b>Balance at 30 September 2018 (unaudited)</b>	22,000,000	1,463,000	6,871,285	22,167	36,009,408	66,365,860	
<b>Balance at 1 January 2019 (Audited)</b>	22,000,000	1,463,000	8,654,694	(13,941)	37,410,634	69,514,387	
Profit for the period	-	-	-	-	7,010,432	7,010,432	
Other comprehensive loss for the period	-	-	-	(4,440)	-	(4,440)	
<b>Total comprehensive income for the period</b>	-	-	-	(4,440)	7,010,432	7,005,992	
Dividend distributed for the year 2018	-	-	-	-	(8,800,000)	(8,800,000)	
<b>Balance at 30 September 2019 (unaudited)</b>	22,000,000	1,463,000	8,654,694	(18,381)	35,621,066	67,720,379	

The accompanying notes set out on pages 7 to 16 form an integral part of this interim condensed consolidated financial information.

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

**Interim condensed consolidated statement of cash flows**  
*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

	Note	Nine months ended 30 September	
		2019 (Unaudited)	2018 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit for the period		7,010,432	14,050,982
Adjustments for:			
Depreciation	6	6,062,303	8,040,204
Depreciation on right-of-use assets		44,918	-
Finance costs		377,073	310,273
Net provision for employees' end of service benefits		120,385	255,355
Net impairment loss on financial assets	7	443,384	399,937
Unrealised exchange loss on borrowings	11	(138,007)	(178,202)
Gain on sale of property and equipment	15	(355,370)	(1,110,672)
		<u>13,565,118</u>	<u>21,767,877</u>
<b>Changes in working capital</b>			
Inventories		32,481	(225,859)
Trade and other receivables		573,482	(1,454,211)
Trade and other payables		(10,517,777)	4,291,950
<b>Net cash generated from operations</b>		<u>3,653,304</u>	<u>24,379,757</u>
Employees' end of service benefits paid		(80,607)	(58,583)
<b>Net cash generated from operating activities</b>		<u>3,572,697</u>	<u>24,321,174</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	6	(8,278,135)	(10,842,850)
Proceeds from sale of property and equipment		441,920	1,610,836
<b>Net cash used in investing activities</b>		<u>(7,836,215)</u>	<u>(9,232,014)</u>
<b>Cash flows from financing activities</b>			
Finance costs paid		(351,826)	(310,273)
Dividends paid to Parent Company's shareholder	9	(8,800,000)	(6,600,000)
Principal elements of lease payments		(38,827)	-
Proceeds from borrowings	11	13,706,599	1,697,234
Repayment of borrowings	11	(2,900,114)	(12,112,904)
<b>Net cash generated from / (used in) financing activities</b>		<u>1,615,832</u>	<u>(17,325,943)</u>
Exchange differences arising on translation of foreign operations		(23,632)	7,603
<b>Net decrease in bank balances and cash</b>		<u>(2,671,318)</u>	<u>(2,229,180)</u>
Bank balances and cash at beginning of the period		4,769,603	3,845,412
<b>Bank balances and cash at end of the period</b>	8	<u>2,098,285</u>	<u>1,616,232</u>
Non-cash transactions are as follows:			
Trade and other receivables (Impact of IFRS 9)		-	277,034
Retained earnings		-	(277,034)
Right-of-use assets		(761,522)	-
Lease liabilities		761,522	-
Lease liabilities		25,247	-
Finance costs		(25,247)	-

The accompanying notes set out on pages 7 to 16 form an integral part of this interim condensed consolidated financial information.



## **Integrated Holding Company K.S.C.P. and its Subsidiaries**

### **Notes to the interim condensed consolidated financial information (unaudited)**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

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#### **1 INCORPORATION AND ACTIVITIES**

Integrated Holding Company K.S.C.P. ("the Parent Company") is a Kuwaiti Holding Company registered in Kuwait was incorporated on 4 June 2005 according to Commercial Companies Law (15) for 1960, as amended.

The Group had 2,478 employees as at 30 September 2019 (30 September 2018: 2,645).

The registered office of the Parent Company is Building 7, block 6, East Ahmadi, Post Box 750, Dasman 15458, Kuwait.

The principal activities of the Parent Company are:

- Acquiring shares in Kuwaiti or foreign shareholding companies as well as acquisition of shares in Kuwaiti or foreign companies with limited liability or participate in the incorporation of such two types of companies and management thereof and guaranteeing them with third parties;
- Lending money to the companies in which it holds shares. In such case, the company's share in the capital of the borrower company shall not be less than 20%;
- Acquiring industrial property rights including patents, trademarks, industrial marks or industrial drawings or any other rights related thereto and lease the same to other companies for use inside or outside Kuwait;
- Acquiring necessary movable and immovable properties for carrying out its business to the extent permitted by the law; and
- Utilizing the financial surpluses available with the Company through investing the same in financial portfolios managed by specialized companies and entities.

The consolidated financial statements for the year ended 31 December 2018 were approved by the shareholders in the Annual General Assembly Meeting held on 21 April 2019.

The accompanying interim condensed consolidated financial information for the period ended 30 September 2019 was authorised for issuance by the Board of Directors on 12 November 2019.

#### **2 BASIS OF PREPARATION**

This interim condensed consolidated financial information of Integrated Holding Company K.S.C.P. and its subsidiaries ("the Group") has been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial information does not include all the information and disclosures required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included.

Operating results for the nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the annual audited consolidated financial statements of the Group and notes thereto for the year ended 31 December 2018.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and amendments effective as of 1 January 2019, which are set below:

## **Integrated Holding Company K.S.C.P. and its Subsidiaries**

### **Notes to the interim condensed consolidated financial information (unaudited)**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

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#### **2 BASIS OF PREPARATION (Continued)**

*New standards, amendments and interpretations effective for the financial period beginning on 1 January 2019*

IFRS 16 - 'Leases' (effective 1 January 2019). IFRS 16 supersedes IAS 17 'Lease' and related interpretations. It resulted in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessor did not significantly change.

The impact of the adoption of the standard and the new accounting policies are disclosed in note 3.

There are no other amendments that have significant effect on the Group's interim condensed consolidated financial information. There are no other IFRS or IFRIC interpretations that were effective for the first time for the financial year beginning on 1 January 2019.

#### **3 CHANGE IN ACCOUNTING POLICY**

This note explains the impact of the adoption of IFRS 16 Leases on the Group's interim condensed consolidated financial information and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

##### **a) The Group's leases accounting policy**

The Group leases various properties. Rental contracts are typically made for fixed periods between 3 to 12 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as operating leases. Payments made under operating leases were charged to the interim condensed consolidated statement of income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to interim condensed consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

### Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 3 CHANGE IN ACCOUNTING POLICY (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the interim condensed consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. The Group does not have low-value assets.

#### b) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using or incremental borrowing rates between 4% and 4.66%.

Operating lease commitments as at 31 December 2018	<u>2019</u> <b>1,029,244</b>
Discounted using the lessee's borrowing rate of at the date of initial application	<b>(267,722)</b>
<b>Lease liability recognised as at 1 January 2019</b>	<b><u>761,522</u></b>
Of which are:	
Current lease liabilities	<b>55,913</b>
Non-current lease liabilities	<b><u>705,609</u></b>
	<b><u>761,522</u></b>

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

### Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 3 CHANGE IN ACCOUNTING POLICY (Continued)

##### b) Adjustment recognised on adoption of IFRS 16 (continued)

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	<u>30 September 2019</u>	<u>1 January 2019</u>
Properties	718,665	761,522
<b>Total right-of-use assets</b>	<b>718,665</b>	<b>761,522</b>

The change in accounting policy affected the following items in the interim condensed consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by KD 761,522
- lease liabilities – increase by KD 761,522

The movement in the right-of-use assets is as follows:

Balance beginning of period	761,522
Depreciation	(44,918)
Foreign currency translation	2,061
Balance end of period	<u>718,665</u>

Finance cost from lease liabilities of KD 25,247 is recognised in the interim condensed consolidated statement of income.

There was no impact on retained earnings on 1 January 2019 as the Group did not have any finance lease as at 31 December 2018.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

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

### Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 3 CHANGE IN ACCOUNTING POLICY (Continued)

##### c) Critical judgements in determining the lease term

###### *Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

#### 4 JUDGEMENTS AND ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements for the year ended 31 December 2018, except for the change in useful lives of some assets as mentioned in note 6.

#### 5 FINANCIAL RISK MANAGEMENT

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. There have been no changes in the risk management policies since the year end. The fair value of financial assets and liabilities approximates their carrying amounts.

#### 6 PROPERTY AND EQUIPMENT

	<b>30 September 2019 (Unaudited)</b>	<b>31 December 2018 (Audited)</b>	<b>30 September 2018 (Unaudited)</b>
Opening net book amount	<b>73,389,643</b>	70,526,563	70,526,563
Additions	<b>8,278,135</b>	14,554,504	10,842,850
Disposal related to sale of subsidiary	-	(250)	-
Disposals	<b>(1,765,835)</b>	(5,161,116)	(4,199,535)
Depreciation charged	<b>(6,062,303)</b>	(10,813,856)	(8,040,204)
Accumulated depreciation related to sale of subsidiary	-	140	-
Depreciation related to disposals	<b>1,679,285</b>	4,262,443	3,699,371
Exchange differences	<b>28,601</b>	21,215	33,356
<b>Closing net book amount</b>	<b><u>75,547,526</u></b>	<u>73,389,643</u>	<u>72,862,401</u>

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

### Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 6 PROPERTY AND EQUIPMENT (Continued)

During the period the group has changed the useful lives of certain assets. This change in estimate was applied as on 1 January 2019 prospectively and resulted in a decrease in depreciation expense by KD 2,311,023 for the period ended 30 September 2019. Had the accounting estimate not been changed, the reported net profit of the group would be lower by KD 2,311,023.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the applicable assets. The useful lives of certain assets are changed from 5 to 7 years, 5 to 10 years, 5 to 20 years, 7 to 10 years, 9 to 12 years, 10 to 12 years, 10 to 14 years, 10 to 18 years, 10 to 20 years and 14 to 18 years.

#### 7 TRADE AND OTHER RECEIVABLES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Trade receivables	15,202,668	15,554,260	17,297,562
Less: loss allowance	<b>(3,051,326)</b>	<b>(2,604,549)</b>	<b>(2,625,408)</b>
	<b>12,151,342</b>	<b>12,949,711</b>	<b>14,672,154</b>
Retention receivables	133,006	313,703	261,150
Amount due from a related party (note 13)	69,898	2,746	7,748
Deposits	225,867	213,169	225,518
Advance to suppliers and employees	587,614	685,319	536,951
Prepaid expenses	137,047	166,615	167,637
Other receivables	1,628,632	1,630,072	1,272,965
	<b>14,933,406</b>	<b>15,961,335</b>	<b>17,144,123</b>

The movement in loss allowance is as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Opening balance	2,604,549	1,943,114	1,943,114
Impact of IFRS 9	-	277,034	277,034
Provision for impairment of trade and other receivables	443,384	678,846	404,846
Provision for impairment of trade and other receivable no longer required	-	(93,282)	(4,909)
Amount written off	-	(207,938)	(1,904)
Foreign currency translation	3,393	6,775	7,227
Closing balance	<b>3,051,326</b>	<b>2,604,549</b>	<b>2,625,408</b>

#### 8 BANK BALANCES AND CASH

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Cash on hand	18,873	25,380	19,718
Bank balances	<b>2,079,412</b>	<b>4,744,223</b>	<b>1,596,514</b>
	<b>2,098,285</b>	<b>4,769,603</b>	<b>1,616,232</b>

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

### Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 9 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the Parent Company's shareholders held on 21 April 2019 approved the consolidated financial statements of the Group for the year ended 31 December 2018 and the distribution of cash dividends of 40 fils per share amounting to KD 8,800,000 (31 December 2017: cash dividend of 40 fils per shares amounting to KD 6,600,000).

#### 10 TRADE AND OTHER PAYABLES

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
<b>Current</b>			
Trade payables	3,994,803	14,432,630	14,431,699
Accrued and provision expenses	2,687,895	2,751,020	2,169,333
Accrued staff cost	1,121,186	1,243,651	1,268,883
Other payables	448,169	344,537	461,544
	<u>8,252,053</u>	<u>18,771,838</u>	<u>18,331,459</u>

#### 11 BORROWINGS

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
<b>Current</b>			
Term Loans	2,003,591	2,396,318	2,436,436
Tawaruq payables	2,962,995	496,006	1,019,050
Murabaha payables	551,432	-	-
	<u>5,518,018</u>	<u>2,892,324</u>	<u>3,455,486</u>
<b>Non-Current</b>			
Term Loans	1,696,651	3,240,649	3,877,266
Tawaruq payables	8,208,214	-	-
Murabaha payables	1,378,568	-	-
	<u>11,283,433</u>	<u>3,240,649</u>	<u>3,877,266</u>
	<u>16,801,451</u>	<u>6,132,973</u>	<u>7,332,752</u>

Borrowings represents amounts obtained from local and international banks to finance the Group's normal activities. Borrowings bear profit/interest rates ranging from 0.9% to 4.5% (31 December 2018: from 0.9% to 4.5% and 30 September 2018: from 0.9% to 4.5%) including central bank of Kuwait rate and EURIBOR. The repayment of borrowings is as per agreed repayment schedule. The facility agreements include negative pledge on sale of assets. The movement of borrowings is as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Opening	6,132,973	17,926,624	17,926,624
Proceeds from borrowings	13,706,599	1,621,004	1,697,234
Repayment of borrowings	(2,900,114)	(13,127,170)	(12,112,904)
Foreign currency translation	(138,007)	(287,485)	(178,202)
Closing	<u>16,801,451</u>	<u>6,132,973</u>	<u>7,332,752</u>

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

### Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 12 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period adjusted for bonus shares issued during the period, if any.

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit for the period attributable to equity holders of the Parent Company	2,992,718	4,086,215	7,010,432	14,050,982
<b>Number of shares outstanding:</b>				
Weighted average number of shares	220,000,000	220,000,000	220,000,000	220,000,000
<b>Basic and diluted earnings per share attributable to equity holders of the parent company (Fils)</b>	<b>13.60</b>	<b>18.57</b>	<b>31.87</b>	<b>63.87</b>

There are no potential dilutive shares.

#### 13 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, board of directors and their close relatives, directors and key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by Group's management and at an arm's length term. The related parties' balances and transactions included in the interim condensed consolidated financial information are as follows:

##### Balances included in the interim condensed consolidated statement of financial position

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Amounts due from a related party - Burgan Company for Well Drilling, Trading & Maintenance K.S.C.C. – Affiliate (note 7)	69,898	2,746	7,748

##### Transactions included in the interim condensed consolidated statement of income

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Revenue	32,259	15,983	99,369	33,109
<b>Key management compensation</b>				
Short term benefits	239,427	370,739	714,549	1,064,301
Termination benefits	10,943	12,797	35,752	39,079



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

### Notes to the interim condensed consolidated financial information (unaudited)

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 14 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Staff costs	335,546	519,729	1,025,384	2,108,818
Depreciation expenses	63,327	47,359	191,067	147,687
Rent expenses	65,188	83,722	196,505	228,355
Professional fees	-	16,884	-	87,434
Other expenses	171,521	99,141	598,590	477,645
<b>Total</b>	<b>635,582</b>	<b>766,835</b>	<b>2,011,546</b>	<b>3,049,939</b>

#### 15 OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Gain on sale of property and equipment	185,000	520,467	355,370	1,110,672
Other income	87,333	39,026	372,947	71,542
<b>Total</b>	<b>272,333</b>	<b>559,493</b>	<b>728,317</b>	<b>1,182,214</b>

#### 16 SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by board of directors represented by the chief operating decision-maker for the purposes of allocating resources and assessing performance. The chief operating decision-maker organises the entity based on different geographical areas, inside and outside Kuwait. There are no inter-segmental transactions. The following table presents the geographical analysis of the Group's assets, liabilities, revenues, expenses, and profit for the period ended 30 September 2019 and 30 September 2018 and year ended 31 December 2018.

	30 September 2019 (unaudited)		
	Inside Kuwait	Outside Kuwait	Total
Assets	79,020,832	15,989,937	95,010,769
Liabilities	14,097,567	13,192,823	27,290,390
Revenues and other income	20,047,890	3,558,951	23,606,841
Expenses	(13,412,544)	(2,806,792)	(16,219,336)
Profit for the period	6,289,955	720,477	7,010,432
Depreciation	(5,281,376)	(825,845)	(6,107,221)
Finance cost	(345,391)	(31,682)	(377,073)
Capital expenditures	6,016,694	2,261,441	8,278,135

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

**Notes to the interim condensed consolidated financial information (unaudited)**

*(All amounts are in Kuwaiti Dinars unless otherwise stated)*

**16 SEGMENT INFORMATION (Continued)**

	31 December 2018 (Audited)		
	Inside Kuwait	Outside Kuwait	Total
Assets	82,982,434	12,883,457	95,865,891
Liabilities	15,694,411	10,657,093	26,351,504
Revenues and other income	39,955,715	4,576,832	44,532,547
Expenses	(23,533,712)	(3,416,108)	(26,949,820)
Profit for the year	16,086,893	1,148,724	17,235,617
Depreciation	(9,788,461)	(1,025,395)	(10,813,856)
Finance cost	(335,110)	(12,000)	(347,110)
Capital expenditures	9,789,485	4,765,019	14,554,504

	30 September 2018 (unaudited)		
	Inside Kuwait	Outside Kuwait	Total
Assets	81,708,617	11,715,403	93,424,020
Liabilities	17,351,391	9,706,769	27,058,160
Revenues and other income	30,023,015	3,330,960	33,353,975
Expenses	(16,569,678)	(2,423,042)	(18,992,720)
Profit for the period	13,148,122	902,860	14,050,982
Depreciation	(7,308,578)	(731,626)	(8,040,204)
Finance cost	(305,215)	(5,058)	(310,273)
Capital expenditures	7,279,459	3,563,391	10,842,850

**17 COMMITMENTS**

	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2018 (Unaudited)
Capital commitments	81,773	210,301	421,625
Letters of credit	352,946	831,171	2,610,653
Letter of guarantees	1,628,869	2,404,531	2,053,738
	<b>2,063,588</b>	<b>3,446,003</b>	<b>5,086,016</b>