



**Hilal Cement Company K.S.C.P.  
and its Subsidiaries**

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

**30 JUNE 2019**



**Building a better  
working world**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF HILAL CEMENT COMPANY K.S.C.P.**

### **Report on the Interim Condensed Consolidated Financial Information**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Hilal Cement Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 June 2019, and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on the 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 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 4 to the interim condensed consolidated financial information which describes the uncertainty related to the outcome of the lawsuit filed against the Group by Kuwait Port Authority. Our conclusion is not modified in respect of this matter.

#### **Report on 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 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 of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



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

5 August 2019  
Kuwait

Hilal Cement Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2019

	Note	Three months ended 30 June		Six months ended 30 June	
		2019 KD	2018 KD	2019 KD	2018 KD
Revenue from contracts with customers		4,220,852	5,173,817	9,656,198	10,935,751
Cost of sales		(3,739,110)	(4,479,755)	(8,361,645)	(9,536,801)
<b>GROSS PROFIT</b>		<b>481,742</b>	<b>694,062</b>	<b>1,294,553</b>	<b>1,398,950</b>
Other income		54,354	24,814	353,602	78,929
Other expenses		(503,469)	(428,256)	(1,008,810)	(849,300)
(Reversal of) provision for allowance for expected credit losses		(138,217)	11,749	162,654	(127,409)
Net foreign exchange differences		2,507	(3,997)	696	(1,693)
<b>OPERATING (LOSS) PROFIT</b>		<b>(103,083)</b>	<b>298,372</b>	<b>802,695</b>	<b>499,477</b>
Finance costs		(20,120)	(21,293)	(42,585)	(39,839)
<b>(LOSS) PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION</b>		<b>(123,203)</b>	<b>277,079</b>	<b>760,110</b>	<b>459,638</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		122	(2,009)	(8,113)	(2,894)
National Labour Support Tax (NLST)		(3,401)	(5,080)	(18,620)	(11,486)
Zakat		(666)	(996)	(3,649)	(2,252)
Directors' remuneration		(6,550)	(6,600)	(13,100)	(13,200)
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(133,698)</b>	<b>262,394</b>	<b>716,628</b>	<b>429,806</b>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b>(133,698)</b>	<b>262,394</b>	<b>716,628</b>	<b>429,806</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		(19,266)	217,563	853,672	306,880
Non-controlling interests		(114,432)	44,831	(137,044)	122,926
		<b>(133,698)</b>	<b>262,394</b>	<b>716,628</b>	<b>429,806</b>
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>(0.2) Fils</b>	<b>2.1 Fils</b>	<b>8.4 Fils</b>	<b>3.0 Fils</b>

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

Hilal Cement Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

		<i>(Audited)</i>	<i>(Restated)*</i>
	<i>Notes</i>	<i>30 June</i>	<i>31 December</i>
		<i>2019</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>
		<i>30 June</i>	<i>30 June</i>
		<i>2018</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	4,709,032	4,605,691
Goodwill		3,241,484	3,241,484
Term deposits		60,000	60,000
		<u>8,010,516</u>	<u>7,907,175</u>
			<u>9,354,495</u>
<b>Current assets</b>			
Inventories		1,995,239	1,574,976
Accounts receivable and prepayments		6,367,392	6,293,287
Cash and short-term deposits	5	5,728,550	6,604,532
		<u>14,091,181</u>	<u>14,472,795</u>
			<u>13,679,832</u>
<b>TOTAL ASSETS</b>		<u><u>22,101,697</u></u>	<u><u>22,379,970</u></u>
			<u><u>23,034,327</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6	10,146,213	10,146,213
Statutory reserve		2,096,776	2,096,776
Voluntary reserve		574,844	2,096,776
Retained earnings/(Accumulated losses)		344,145	(509,527)
		<u>13,161,978</u>	<u>13,830,238</u>
		<u>1,054,107</u>	<u>1,183,030</u>
<b>Equity attributable to the equity holders of the Parent Company</b>		<u>14,216,085</u>	<u>15,021,389</u>
<b>Non-current liabilities</b>			<u>15,388,896</u>
Loan from a related party	7	1,082,900	1,082,900
Employees' end of service benefits		792,625	786,627
Other liabilities		496,737	-
		<u>2,372,262</u>	<u>1,869,527</u>
			<u>1,836,306</u>
<b>Current liabilities</b>			
Loan from a related party	7	500,000	500,000
Accounts payable and accruals		4,922,750	4,989,054
Bank overdraft	5	90,600	-
		<u>5,513,350</u>	<u>5,489,054</u>
			<u>5,809,125</u>
<b>Total liabilities</b>		<u>7,885,612</u>	<u>7,358,581</u>
			<u>7,645,431</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>22,101,697</u></u>	<u><u>22,379,970</u></u>
			<u><u>23,034,327</u></u>

\* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 30 June 2018; and reflect adjustments made as explained in Note 10.

Sayed Salah Sayed Hashem Al Tabtabaei  
Chairman

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

Hilal Cement Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2019

	Attributable to equity holders of the Parent Company						Total KD
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Retained earnings/ (Accumulated losses) KD	Sub-total KD	Non-controlling interests KD	
As at 1 January 2019 ( <i>Audited</i> )	10,146,213	2,096,776	2,096,776	(509,527)	13,830,238	1,191,151	15,021,389
Profit (loss) for the period	-	-	-	853,672	853,672	(137,044)	716,628
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	853,672	853,672	(137,044)	716,628
Dividends paid	-	-	(1,521,932)	-	(1,521,932)	-	(1,521,932)
At 30 June 2019	10,146,213	2,096,776	574,844	344,145	13,161,978	1,054,107	14,216,085
As at 1 January 2018 as previously reported ( <i>Audited</i> )	10,146,213	2,096,776	2,096,776	(373,035)	13,966,730	1,072,187	15,038,917
Transition adjustment on initial application of IFRS 9	-	-	-	(67,744)	(67,744)	(12,083)	(79,827)
Adjusted balance as at 1 January 2018 ( <i>restated</i> )	10,146,213	2,096,776	2,096,776	(440,779)	13,898,986	1,060,104	14,959,090
Profit for the period	-	-	-	306,880	306,880	122,926	429,806
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	306,880	306,880	122,926	429,806
At 30 June 2018 ( <i>restated</i> )*	10,146,213	2,096,776	2,096,776	(133,899)	14,205,866	1,183,030	15,388,896

\* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 30 June 2018; and reflect adjustments made as explained in Note 10.

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

# Hilal Cement Company K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 KD	2018 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		716,628	429,806
<i>Non-cash adjustments to reconcile profit for the period to net cash flows:</i>			
Interest income		(80,455)	(40,687)
Gain on disposal of property, plant and equipment		(11,350)	(19,488)
Depreciation of property, plant and equipment and right-of-use assets		626,375	452,601
(Reversal of) provision for allowance for expected credit losses		(162,654)	127,409
Provision for employees' end of service benefits		71,955	43,495
Finance costs		42,585	39,839
Reversal of provision for impairment of inventories		(5,808)	-
		<u>1,197,276</u>	<u>1,032,975</u>
<i>Working capital adjustments:</i>			
Inventories		(414,455)	257,422
Accounts receivable and prepayments		90,550	(534,772)
Accounts payable and accruals		(323,122)	710,172
		<u>550,249</u>	<u>1,465,797</u>
Cash flows from operations		550,249	1,465,797
Employees' end of service benefits paid		(65,957)	(32,494)
Taxes paid		(4,473)	-
Interest income received		78,455	35,261
		<u>558,274</u>	<u>1,468,564</u>
<b>Net cash flows from operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(1,664,739)
Proceeds from disposal of property, plant and equipment		11,350	20,249
		<u>11,350</u>	<u>20,249</u>
<b>Net cash flows from (used in) investing activities</b>			
		<u>11,350</u>	<u>(1,644,490)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from a related party loan	7	-	750,000
Finance costs paid		(14,274)	(1,837)
Dividends paid		(1,521,932)	-
		<u>(1,536,206)</u>	<u>748,163</u>
<b>Net cash flows (used in) from financing activities</b>			
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<u>(966,582)</u>	<u>572,237</u>
Cash and cash equivalents at 1 January		<u>6,604,532</u>	<u>5,417,435</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	5	<u><u>5,637,950</u></u>	<u><u>5,989,672</u></u>
<b>Non-cash items excluded from the interim condensed consolidated statement of cash flows:</b>			
Transitional adjustment to trade and other receivables on adoption of IFRS 9		-	(79,827)
Transitional adjustment to property, plant and equipment on adoption of IFRS 16	2.2	(729,716)	-
Transitional adjustment to accounts payable and accruals on adoption of IFRS 16	2.2	729,716	-

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

# Hilal Cement Company K.S.C.P. and its Subsidiaries

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

As at and for the period ended 30 June 2019

### 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Hilal Cement Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 5 August 2019.

The Parent Company was established as a Kuwaiti Shareholding Company on 19 January 1984 and is listed in Bursa Kuwait. The principal activities of the Parent Company are import, storage and distribution of cement and other bulk materials; establishing, operating and managing storage silos; acquiring interest in other companies engaged in similar activities and investing surplus funds through portfolio managers in shares of investment and real estate companies.

The registered office of the Parent Company is located in Marzouk Tower, 19th floor, Building 3, Al-Qibla, Block 14 and the postal address is P.O. Box 20732, 13068, Safat, Kuwait.

The Parent Company is a subsidiary of Suez Cement Company S.A.E. (the "Ultimate Parent Company"), a Company registered in Egypt and its registered head office is located at P.O. Box 2691, Cairo - Egypt.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 1 May 2019 approved the consolidated financial statements for the year ended 31 December 2018.

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

#### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group, for the six months ended 30 June 2019 has been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 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. In addition, the Group restated comparative information due to a retrospective restatement (See Note 10).

#### 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standards, interpretations or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 *Leases*. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

##### IFRS 16 'Leases' ("IFRS 16")

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

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

## Hilal Cement 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 June 2019

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

#### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

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

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'other liabilities' and 'accounts payables and accruals' in the interim condensed consolidated financial information.

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	<i>KD</i>
<b>Assets</b>	
Property, plant and equipment	729,716
<b>Total assets</b>	<u>729,716</u>
<b>Non-current liabilities</b>	
Other liabilities	498,578
<b>Current liabilities</b>	
Accounts payable and accruals	231,138
<b>Total liabilities</b>	<u>729,716</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.

The Group also applied the available practical expedients wherein it:

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- ▶ Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- ▶ Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

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

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP  
(continued)

IFRS 16 'Leases' ("IFRS 16") (continued)

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 re-measurement 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 interest 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 interest 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.

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

The Group applies the short-term lease recognition exemption to its short-term leases of plant, 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 6,750 approx). 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 terms of three to five years. 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 effects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## Hilal Cement 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 June 2019

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

#### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

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

#### 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:

	<i>Right-of-use assets KD</i>	<i>Lease liabilities KD</i>
<b>At 1 January 2019</b>	729,716	729,716
Depreciation expense	(122,059)	-
Finance costs	-	16,534
Payments	-	(144,546)
<b>At 30 June 2019</b>	<u>607,657</u>	<u>601,704</u>

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 5% at the reporting date.

#### 3 (LOSS) EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (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 profit (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 (loss) earnings per share are identical.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	<u>(19,266)</u>	<u>217,563</u>	<u>853,672</u>	<u>306,880</u>
Weighted average number of shares outstanding during the period	<u>101,462,130</u>	<u>101,462,130</u>	<u>101,462,130</u>	<u>101,462,130</u>
Basic and diluted (loss) earnings per share	<u>(0.2) Fils</u>	<u>2.1 Fils</u>	<u>8.4 Fils</u>	<u>3.0 Fils</u>

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

## Hilal Cement 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 June 2019

#### 4 PROPERTY, PLANT AND EQUIPMENT

On 29 January 2009, the Parent Company received a notice from Kuwait Port Authority (KPA) to vacate the premises of KPA and remove the barge with a carrying value of KD 1,295,305 (31 December 2018: KD 1,435,846; 30 June 2018: KD 1,576,389) owned by the Parent Company which is moored alongside the berth owned by KPA. A verdict was issued by the Court of First Instance on 8 May 2014 in favour of the Parent Company and KPA has filed an appeal in the 'Court of Appeal'. On 16 April 2017, a verdict was issued against the Parent Company and the Parent Company has filed an appeal in the 'Court of Cassation'. Based on the legal advice received, management believes that there will be no material consequential impact on Group's interim condensed consolidated financial information.

On 23 October 2014, the Parent Company received a notice from KPA requesting on the increase in rental charges. As at 30 June 2019, the management has not entered into any new contract with KPA. However, a provision for rental expenses was made as per the new rates mentioned in the notice received from KPA. Based on the legal advice, management is of the view that the new rental charges are applicable prospectively, and hence no provision was made for previous periods.

#### 5 CASH AND CASH EQUIVALENTS

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

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Cash at bank and in hand	1,208,550	1,484,532	1,269,672
Short-term deposits*	4,520,000	5,120,000	4,720,000
<b>Cash and short-term deposits</b>	<b>5,728,550</b>	<b>6,604,532</b>	<b>5,989,672</b>
Bank overdraft	(90,600)	-	-
<b>Cash and cash equivalents as per statement of cash flows</b>	<b>5,637,950</b>	<b>6,604,532</b>	<b>5,989,672</b>

\* Short term deposits are placed for varying periods of one month to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group is granted an unsecured bank overdraft facility up to KD 150,000 with interest thereon at a rate of 2% over the Central Bank of Kuwait discount rate.

#### 6 EQUITY

##### Share capital

The authorised, issued and paid-up capital of the Parent Company comprises of 101,462,130 ordinary shares of 100 fils each (31 December 2018: 101,462,130 shares of 100 fils each and 30 June 2018: 101,462,130 shares of 100 fils each).

##### Dividends

At the AGM held on 1 May 2019, the shareholders of the Parent Company approved the distribution of cash dividends of 15 fils per share amounting to KD 1,521,932 and subsequently paid through distributable reserves as retained earnings were not sufficient for the payment of such dividend.

## Hilal Cement 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 June 2019

#### 7 RELATED PARTY DISCLOSURES

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

The following tables show the aggregate value of transactions and outstanding balances with related parties:

##### Interim condensed consolidated statement of profit or loss:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cost of goods sold	2,139,043	2,232,718	4,252,404	3,885,954
Administrative expenses	6,705	39,737	12,629	63,734
Finance costs	20,240	21,479	39,651	37,634

##### Interim condensed consolidated statement of financial position:

		<i>Accounts</i>	<i>Accounts</i>	<i>Loan from</i>
		<i>receivable and</i>	<i>payable and</i>	<i>related parties</i>
		<i>prepayments</i>	<i>accruals</i>	<i>KD</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
Associate	<b>30 June 2019</b>	15,228	-	-
	31 December 2018 ( <i>Audited</i> )	15,228	-	-
	30 June 2018	15,228	-	-
Other related parties	<b>30 June 2019</b>	-	821,575	1,582,900
	31 December 2018 ( <i>Audited</i> )	-	802,108	1,582,900
	30 June 2018	-	835,686	1,832,900

Loan from a related party amounting to KD 1,082,900 (31 December 2018: KD 1,082,900; 30 June 2018: KD 1,082,900) carries an effective interest rate of 5% p.a. (31 December 2018: 5% p.a.; 30 June 2018: 5% p.a.) and is expected to be settled more than twelve months after the reporting period.

Loan from a related party amounting to KD 500,000 (31 December 2018: KD 500,000; 30 June 2018: KD 750,000) carries an effective interest rate of 4.4% p.a. and is expected to be settled within one year from the reporting period.

##### Compensation of 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:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short-term benefits	44,612	59,427	116,225	107,483
Directors' remuneration	6,550	6,600	13,100	13,200
	<u>51,162</u>	<u>66,027</u>	<u>129,325</u>	<u>120,683</u>

The Board of Directors at the meeting held on 4 March 2019 proposed directors' remuneration of KD 17,082 for the year ended 31 December 2018. The remuneration was approved by the shareholders at the AGM held on 1 May 2019.

## Hilal Cement 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 June 2019

#### 8 CONTINGENCIES

As at 30 June 2019, the Group provided guarantees in the ordinary course of the business amounting to KD 156,000 (31 December 2018: KD 306,000; 30 June 2018: KD 306,000). No material liabilities are expected to arise.

#### 9 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services and has two reportable operating segments i.e. trading materials and manufacturing materials. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment. The segment performance is evaluated based on operating loss or profit.

The following table presents revenue and profit information for the Group's operating segments for the six months ended 30 June 2019 and 30 June 2018, respectively:

	<i>Trading units KD</i>	<i>Manufacturing units KD</i>	<i>Total KD</i>	<i>Adjustments and eliminations KD</i>	<i>Consolidated KD</i>
<i>Six months ended 30 June 2019</i>					
<i>Revenue</i>					
External customer	3,462,845	6,193,353	9,656,198	-	9,656,198
Inter-segment	1,843,549	-	1,843,549	(1,843,549)	-
Intra-segment	-	1,297,637	1,297,637	(1,297,637)	-
<i>Total revenue</i>	<u>5,306,394</u>	<u>7,490,990</u>	<u>12,797,384</u>	<u>(3,141,186)</u>	<u>9,656,198</u>
Depreciation	302,203	324,172	626,375	-	626,375
<i>Segment results</i>	<u>1,039,792</u>	<u>(279,682)</u>	<u>760,110</u>	<u>-</u>	<u>760,110</u>
	<i>Trading units KD</i>	<i>Manufacturing units KD</i>	<i>Total KD</i>	<i>Adjustments and eliminations KD</i>	<i>Consolidated KD</i>
<i>Six months ended 30 June 2018</i>					
<i>Revenue</i>					
External customer	3,749,415	7,186,336	10,935,751	-	10,935,751
Inter-segment	2,014,825	-	2,014,825	(2,014,825)	-
Intra-segment	-	1,392,254	1,392,254	(1,392,254)	-
<i>Total revenue</i>	<u>5,764,240</u>	<u>8,578,590</u>	<u>14,342,830</u>	<u>(3,407,079)</u>	<u>10,935,751</u>
Depreciation	219,757	232,844	452,601	-	452,601
<i>Segment results</i>	<u>208,769</u>	<u>250,869</u>	<u>459,638</u>	<u>-</u>	<u>459,638</u>

## Hilal Cement 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 June 2019

#### 9 SEGMENT INFORMATION (continued)

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

	<i>Trading units KD</i>	<i>Manufacturing units KD</i>	<i>Total KD</i>	<i>Adjustments and eliminations KD</i>	<i>Consolidated KD</i>
<i>At 30 June 2019</i>					
Segment assets	17,633,007	15,235,319	32,868,326	(10,766,629)	22,101,697
Segment liabilities	2,506,712	10,363,818	12,870,530	(4,984,918)	7,885,612
<i>At 31 December 2018 (Audited)</i>					
Segment assets	16,722,857	15,013,460	31,736,317	(9,356,347)	22,379,970
Segment liabilities	2,008,713	9,862,277	11,870,990	(4,512,409)	7,358,581
<i>At 30 June 2018 (restated)</i>					
Segment assets	16,984,814	15,253,405	32,238,219	(9,203,892)	23,034,327
Segment liabilities	1,886,588	10,118,797	12,005,385	(4,359,954)	7,645,431

#### 10 COMPARATIVE INFORMATION

During the prior interim period ended 30 June 2018, the Group did not adopt the new impairment requirements of IFRS 9 "Financial Instruments" as of 1 January 2018 (initial application date) and 30 June 2018 relating to the debt instruments not held at fair value through profit or loss, primarily trade and other receivables.

The correction of the above error has been accounted for retrospectively in accordance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the respective comparative amounts for the interim period ended 30 June 2018 has been restated to reflect the transitional provision of IFRS 9.

The following adjustments have been made to the comparative financial information:

<i>Interim condensed consolidated statement of financial position</i>	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After Restatement KD</i>
<i>As at 30 June 2018</i>			
<i>Current assets</i>			
Accounts receivable and prepayments	6,338,083	(79,827)	6,258,256
<i>Equity</i>			
Accumulated losses	(66,155)	(67,744)	(133,899)
Non-controlling interests	1,195,113	(12,083)	1,183,030

The above retrospective application did not have a material effect on the Group's comparable previously reported statement of profit or loss for the six months ended 30 June 2018.

For details on the transition adjustment on adoption of IFRS 9, please refer to the disclosures in the consolidated financial statements for the year ended 31 December 2018.