



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

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

**30 SEPTEMBER 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.

### *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 September 2019, and the related interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months 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*

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 nine months period ended 30 September 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 November 2019  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2019

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019 KD	2018 KD	2019 KD	2018 KD
Revenue from contracts with customers		4,142,985	4,841,362	13,799,183	15,777,113
Cost of sales		(3,663,019)	(4,181,472)	(12,024,664)	(13,718,273)
<b>GROSS PROFIT</b>		<b>479,966</b>	<b>659,890</b>	<b>1,774,519</b>	<b>2,058,840</b>
Other income		37,575	36,082	391,177	115,011
Other expenses		(400,792)	(434,239)	(1,409,602)	(1,283,539)
Reversal of allowance for expected credit losses		(201,773)	(36,551)	(39,119)	(163,960)
Net foreign exchange differences		5,646	1,608	6,342	(85)
<b>OPERATING (LOSS) PROFIT</b>		<b>(79,378)</b>	<b>226,790</b>	<b>723,317</b>	<b>726,267</b>
Finance costs		(34,464)	(22,713)	(77,049)	(62,552)
<b>(LOSS) PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION</b>		<b>(113,842)</b>	<b>204,077</b>	<b>646,268</b>	<b>663,715</b>
(Reversal of) allowance for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		415	(2,108)	(7,698)	(5,002)
National Labour Support Tax (NLST)		(3,602)	(6,997)	(22,222)	(18,483)
Zakat		(706)	(1,370)	(4,355)	(3,622)
Directors' remuneration		(6,546)	(6,600)	(19,646)	(19,800)
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(124,281)</b>	<b>187,002</b>	<b>592,347</b>	<b>616,808</b>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b>(124,281)</b>	<b>187,002</b>	<b>592,347</b>	<b>616,808</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		(52,261)	201,982	801,411	508,862
Non-controlling interests		(72,020)	(14,980)	(209,064)	107,946
		<b>(124,281)</b>	<b>187,002</b>	<b>592,347</b>	<b>616,808</b>
<b>BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>(0.52) Fils</b>	<b>1.99 Fils</b>	<b>7.90 Fils</b>	<b>5.02 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 September 2019

	Notes	30 September 2019 KD	(Audited) 31 December 2018 KD	(Restated)* 30 September 2018 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	4,399,210	4,605,691	4,869,581
Goodwill		3,241,484	3,241,484	4,179,257
Term deposits		60,000	60,000	60,000
		<u>7,700,694</u>	<u>7,907,175</u>	<u>9,108,838</u>
<b>Current assets</b>				
Inventories		1,738,310	1,574,976	1,355,646
Accounts receivable and prepayments		5,709,515	6,293,287	6,490,107
Cash and short-term deposits	5	6,189,626	6,604,532	5,982,743
		<u>13,637,451</u>	<u>14,472,795</u>	<u>13,828,496</u>
<b>TOTAL ASSETS</b>		<u><b>21,338,145</b></u>	<u><b>22,379,970</b></u>	<u><b>22,937,334</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	6	10,146,213	10,146,213	10,146,213
Statutory reserve		2,096,776	2,096,776	2,096,776
Voluntary reserve		574,844	2,096,776	2,096,776
Retained earnings (accumulated losses)		291,884	(509,527)	68,083
<b>Equity attributable to the equity holders of the Parent Company</b>		<u><b>13,109,717</b></u>	<u><b>13,830,238</b></u>	<u><b>14,407,848</b></u>
Non-controlling interests		982,087	1,191,151	1,168,050
<b>Total equity</b>		<u><b>14,091,804</b></u>	<u><b>15,021,389</b></u>	<u><b>15,575,898</b></u>
<b>Non-current liabilities</b>				
Loan from a related party	7	1,082,900	1,082,900	1,082,900
Employees' end of service benefits		796,449	786,627	753,245
Lease liabilities		412,875	-	-
		<u>2,292,224</u>	<u>1,869,527</u>	<u>1,836,145</u>
<b>Current liabilities</b>				
Loan from a related party	7	500,000	500,000	500,000
Lease liabilities		145,398	-	-
Accounts payable and accruals		4,308,719	4,989,054	4,918,968
Bank overdraft	5	-	-	106,323
		<u>4,954,117</u>	<u>5,489,054</u>	<u>5,525,291</u>
<b>Total liabilities</b>		<u><b>7,246,341</b></u>	<u><b>7,358,581</b></u>	<u><b>7,361,436</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>21,338,145</b></u>	<u><b>22,379,970</b></u>	<u><b>22,937,334</b></u>

\* Certain amounts do not correspond to the interim condensed consolidated financial information for the period ended 30 September 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 period ended 30 September 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	-	-	-	801,411	801,411	(209,064)	592,347
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	(1,521,932)	801,411	801,411	(209,064)	592,347
Dividend (Note 6)	-	-	-	-	(1,521,932)	-	(1,521,932)
<b>At 30 September 2019</b>	<b>10,146,213</b>	<b>2,096,776</b>	<b>574,844</b>	<b>291,884</b>	<b>13,109,717</b>	<b>982,087</b>	<b>14,091,804</b>
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 (Note 10)	-	-	-	(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	-	-	-	508,862	508,862	107,946	616,808
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	508,862	508,862	107,946	616,808
At 30 September 2018 <i>(restated)</i> *	10,146,213	2,096,776	2,096,776	68,083	14,407,848	1,168,050	15,575,898

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

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months ended 30 September 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		592,347	616,808
<i>Non-cash adjustments to reconcile profit for the period to net cash flows:</i>			
Interest income		(115,626)	(67,616)
Gain on disposal of property, plant and equipment		(11,350)	(26,487)
Depreciation of property, plant and equipment and right-of-use assets		936,728	711,028
Reversal of allowance for expected credit losses		39,119	163,960
Provision for employees' end of service benefits		95,669	65,155
Finance costs		77,049	62,552
Reversal of write-down of inventories		(5,808)	-
		<u>1,608,128</u>	<u>1,525,400</u>
<i>Working capital adjustments:</i>			
Inventories		(157,526)	333,680
Accounts receivable and prepayments		581,824	(800,246)
Accounts payable and accruals		(700,952)	548,491
		<u>1,331,474</u>	<u>1,607,325</u>
Cash flows from operations		1,331,474	1,607,325
Employees' end of service benefits paid		(85,847)	(54,315)
Taxes paid		(4,473)	-
		<u>1,241,154</u>	<u>1,553,010</u>
<b>Net cash flows from operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(1,677,511)
Proceeds from disposal of property, plant and equipment		11,350	27,250
Interest income received		78,455	59,262
		<u>89,805</u>	<u>(1,590,999)</u>
<b>Net cash flows from (used in) investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Proceeds from a related party loan	7	-	500,000
Finance costs paid		(28,222)	(3,026)
Payment of lease liabilities		(195,711)	-
Dividends paid	6	(1,521,932)	-
		<u>(1,745,865)</u>	<u>496,974</u>
<b>Net cash flows (used in) from financing activities</b>			
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(414,906)</b>	<b>458,985</b>
Cash and cash equivalents at 1 January		<u>6,604,532</u>	<u>5,417,435</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>		<b><u>6,189,626</u></b>	<b><u>5,876,420</u></b>
<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 (730,247)	-
Transitional adjustment to accounts payable and accruals on adoption of IFRS 16		2.2 730,247	-

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

## 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 Hilal Cement 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 Parent Company's Board of Directors on 5 November 2019.

The Parent Company was established as a Kuwaiti Shareholding Company on 19 January 1984 and is listed in Boursa 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 nine months ended 30 September 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. In addition, results for the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 September 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 the interim condensed consolidated financial information.

The effect of adoption IFRS 16 as at 1 January 2019 on the interim condensed consolidated statement of financial position is as follows:

	<i>KD</i>
<b>Assets</b>	
Property, plant and equipment	730,247
<b>Total assets</b>	<u>730,247</u>
<b>Non-current liabilities</b>	
Lease liabilities	584,849
<b>Current liabilities</b>	
Lease liabilities	145,398
<b>Total liabilities</b>	<u>730,247</u>

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

	<i>Nine months ended 30 September 2019 KD</i>
Depreciation on right of use assets	183,175
Finance costs on lease liabilities (other expenses included in administrative expenses)	23,737
<b>Total amounts recognised in interim condensed consolidated statement of profit or loss</b>	<u>206,912</u>

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>	730,247	730,247
Depreciation expense	(183,175)	-
Finance costs	-	23,737
Payments	-	(195,711)
<b>At 30 September 2019</b>	<u>547,072</u>	<u>558,273</u>



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, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP  
(continued)**

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

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

The Group has lease contracts for barge, building and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability.

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and other receivables and Accounts payable and accruals, 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 classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

▶ *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 for most leases 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. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. 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 discloses right-of-use assets in 'prepayment and other receivables' and lease liabilities in 'accounts payable and accruals' in the interim condensed consolidated financial information.

**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.

# 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 September 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)

###### ▶ *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 re-measured 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.

###### ▶ *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.

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

Basic EPS amounts are calculated by dividing the (loss) profit 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) profit 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</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	<u>(52,261)</u>	<u>201,982</u>	<u>801,411</u>	<u>508,862</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>(0.52) Fils</u>	<u>1.99 Fils</u>	<u>7.90 Fils</u>	<u>5.02 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 September 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 1,225,033 (31 December 2018: KD 1,435,846; 30 September 2018: KD 1,506,117) 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 September 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 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
Cash at bank and in hand	1,269,626	1,484,532	1,112,743
Short-term deposits*	4,920,000	5,120,000	4,870,000
<b>Cash and short-term deposits</b>	<b>6,189,626</b>	<b>6,604,532</b>	<b>5,982,743</b>
Bank overdraft	-	-	(106,323)
<b>Cash and cash equivalents as per statement of cash flows</b>	<b>6,189,626</b>	<b>6,604,532</b>	<b>5,876,420</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 September 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 through distributable reserves as retained earnings were not sufficient for the payment of such dividend, which was paid subsequently.

# 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 September 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 30 September</i>				<i>Nine months ended 30 September</i>			
	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>2019</i>	<i>2018</i>	<i>Ultimate Parent Company</i>	<i>Other related parties</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cost of goods sold	-	1,451,511	<b>1,451,511</b>	1,762,910	-	5,703,915	<b>5,703,915</b>	5,648,864
Administrative expenses	4,127	866	<b>4,993</b>	12,812	13,196	4,426	<b>17,622</b>	64,780
Finance costs	6,541	13,536	<b>20,077</b>	20,887	19,120	40,608	<b>59,728</b>	58,521

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

		<i>Accounts receivable and prepayments</i>	<i>Accounts payable and accruals</i>	<i>Loan from related parties</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
Associate	<b>30 September 2019</b>	<b>15,228</b>	-	-
	31 December 2018 ( <i>Audited</i> )	15,228	-	-
	30 September 2018	15,228	-	-
Ultimate Parent Company	<b>30 September 2019</b>	-	-	<b>500,000</b>
	31 December 2018 ( <i>Audited</i> )	-	-	500,000
	30 September 2018	-	-	500,000
Other related parties	<b>30 September 2019</b>	-	<b>459,651</b>	<b>1,082,900</b>
	31 December 2018 ( <i>Audited</i> )	-	802,108	1,082,900
	30 September 2018	-	829,897	1,082,900

Loan from a related party amounting to KD 1,082,900 (31 December 2018: KD 1,082,900; 30 September 2018: KD 1,082,900) carries an effective interest rate of 5% p.a. (31 December 2018: 5% p.a.; 30 September 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 September 2018: KD 500,000) 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 30 September</i>		<i>Nine months ended 30 September</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	<b>24,936</b>	51,891	<b>141,161</b>	159,374
Directors' remuneration	<b>6,546</b>	6,600	<b>19,646</b>	19,800
	<b>31,482</b>	58,491	<b>160,807</b>	179,174

# 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 September 2019

### 7 RELATED PARTY DISCLOSURES (continued)

#### Compensation of key management personnel (continued)

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.

### 8 CONTINGENCIES

As at 30 September 2019, the Group provided guarantees in the ordinary course of the business amounting to KD 156,000 (31 December 2018: KD 306,000; 30 September 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 nine months ended 30 September 2019 and 30 September 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>Nine months ended 30 September 2019</i>					
<i>Revenue</i>					
External customer	4,986,229	8,812,954	13,799,183	-	13,799,183
Inter-segment	2,540,142	-	2,540,142	(2,540,142)	-
Intra-segment	-	1,951,616	1,951,616	(1,951,616)	-
<i>Total revenue</i>	<u>7,526,371</u>	<u>10,764,570</u>	<u>18,290,941</u>	<u>(4,491,758)</u>	<u>13,799,183</u>
Depreciation	452,175	484,553	936,728	-	936,728
<i>Segment results</i>	<u>1,072,930</u>	<u>(426,662)</u>	<u>646,268</u>	<u>-</u>	<u>646,268</u>
<i>Nine months ended 30 September 2018</i>					
<i>Revenue</i>					
External customer	5,398,285	10,378,828	15,777,113	-	15,777,113
Inter-segment	2,967,727	-	2,967,727	(2,967,727)	-
Intra-segment	-	2,152,267	2,152,267	(2,152,267)	-
<i>Total revenue</i>	<u>8,366,012</u>	<u>12,531,095</u>	<u>20,897,107</u>	<u>(5,119,994)</u>	<u>15,777,113</u>
Depreciation	329,642	381,386	711,028	-	711,028
<i>Segment results</i>	<u>443,415</u>	<u>220,300</u>	<u>663,715</u>	<u>-</u>	<u>663,715</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 September 2019

### 9 SEGMENT INFORMATION (continued)

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

	<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 September 2019</i>					
Segment assets	<u>17,140,041</u>	<u>14,403,317</u>	<u>31,543,358</u>	<u>(10,205,213)</u>	<u>21,338,145</u>
Segment liabilities	<u>1,991,047</u>	<u>9,678,796</u>	<u>11,669,843</u>	<u>(4,423,502)</u>	<u>7,246,341</u>
<i>At 31 December 2018 (Audited)</i>					
Segment assets	<u>16,722,857</u>	<u>15,013,460</u>	<u>31,736,317</u>	<u>(9,356,347)</u>	<u>22,379,970</u>
Segment liabilities	<u>2,008,713</u>	<u>9,862,277</u>	<u>11,870,990</u>	<u>(4,512,409)</u>	<u>7,358,581</u>
<i>At 30 September 2018 (restated)</i>					
Segment assets	<u>17,254,147</u>	<u>15,027,617</u>	<u>32,281,764</u>	<u>(9,344,430)</u>	<u>22,937,334</u>
Segment liabilities	<u>1,938,350</u>	<u>9,923,578</u>	<u>11,861,928</u>	<u>(4,500,492)</u>	<u>7,361,436</u>

### 10 COMPARATIVE INFORMATION

During the prior interim period ended 30 September 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 September 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 September 2018 has been restated to reflect the transitional provisions 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 September 2018</i>			
<i>Current assets</i>			
Accounts receivable and prepayments	<u>6,569,934</u>	<u>(79,827)</u>	<u>6,490,107</u>
<i>Equity</i>			
Retained earnings	135,827	(67,744)	68,083
Non-controlling interests	<u>1,180,133</u>	<u>(12,083)</u>	<u>1,168,050</u>

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