

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

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

30 SEPTEMBER 2017



**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 2017, 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 and explanatory notes. 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

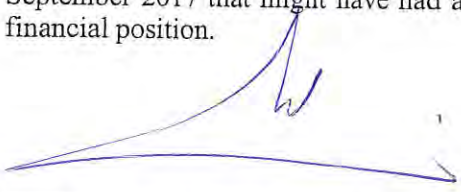
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

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 qualified 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 2017 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

31 October 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 30 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 KD	2016 KD	2017 KD	2016 KD
Sale of goods		3,897,787	3,926,476	13,050,787	16,099,917
Cost of goods sold		(3,560,636)	(3,543,495)	(11,619,162)	(13,750,905)
GROSS PROFIT		337,151	382,981	1,431,625	2,349,012
Other income		36,577	25,974	123,766	84,727
Administrative expenses		(404,241)	(440,014)	(1,376,482)	(1,925,435)
Allowance for impairment of accounts receivable		(104,781)	(48,672)	(181,899)	(396,765)
Foreign exchange gain/(loss)		2,649	(2,915)	5,699	9,441
OPERATING (LOSS)/PROFIT		(132,645)	(82,646)	2,709	120,980
Finance costs		(15,412)	(17,478)	(45,524)	(56,924)
(LOSS)/PROFIT FOR THE PERIOD BEFORE TAX AND DIRECTORS' REMUNERATION		(148,057)	(100,124)	(42,815)	64,056
NLST		(5,143)	(1,474)	(11,868)	(21,703)
KFAS		1,022	4,428	-	(256)
Zakat		(20)	(290)	(1,338)	(4,255)
Directors' remuneration		(6,374)	(2,000)	(19,123)	(6,000)
(LOSS)/ PROFIT FOR THE PERIOD		(158,572)	(99,460)	(75,144)	31,842
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(158,572)	(99,460)	(75,144)	31,842
Attributable to:					
Equity holders of the Parent Company		(138,323)	(24,368)	(46,569)	(3,709)
Non-controlling interests		(20,249)	(75,092)	(28,575)	35,551
		(158,572)	(99,460)	(75,144)	31,842
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	3	(1.36) fils	(0.24) fils	(0.46) fils	(0.04) fils


The attached notes 1 to 9 form part of these 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 2017

		30 September 2017	(Audited) 31 December 2016	30 September 2016
	Notes	KD	KD	KD
ASSETS				
Non-current assets				
Property, plant and equipment	4	4,135,189	4,859,963	5,157,834
Goodwill		5,047,444	5,047,444	5,047,444
Term deposits	5	60,000	160,000	160,000
		<u>9,242,633</u>	<u>10,067,407</u>	<u>10,365,278</u>
Current assets				
Inventories		1,634,482	2,028,671	1,579,611
Trade and other receivables		5,548,845	5,423,710	4,915,116
Term deposits	5	3,970,000	4,070,000	3,620,000
Bank balances and cash	5	965,506	542,734	647,990
		<u>12,118,833</u>	<u>12,065,115</u>	<u>10,762,717</u>
TOTAL ASSETS		<u><u>21,361,466</u></u>	<u><u>22,132,522</u></u>	<u><u>21,127,995</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	6	10,146,213	8,455,178	8,455,178
Statutory reserve		2,096,776	2,096,776	2,081,621
General reserve		2,096,776	2,096,776	2,081,621
Retained earnings		505,142	2,242,746	2,157,085
Equity attributable to the equity holders of the Parent Company		<u>14,844,907</u>	<u>14,891,476</u>	<u>14,775,505</u>
Non-controlling interests		1,013,312	1,041,887	1,062,453
Total equity		<u>15,858,219</u>	<u>15,933,363</u>	<u>15,837,958</u>
Non-current liabilities				
Loan from a related party	7	1,082,900	1,082,900	1,082,900
Employees' end of service benefits		740,224	700,989	720,684
		<u>1,823,124</u>	<u>1,783,889</u>	<u>1,803,584</u>
Current liabilities				
Trade and other payables	7	3,612,505	4,259,770	3,486,453
Bank overdraft		67,618	155,500	-
		<u>3,680,123</u>	<u>4,415,270</u>	<u>3,486,453</u>
Total liabilities		<u>5,503,247</u>	<u>6,199,159</u>	<u>5,290,037</u>
TOTAL EQUITY AND LIABILITIES		<u><u>21,361,466</u></u>	<u><u>22,132,522</u></u>	<u><u>21,127,995</u></u>


Sayed Salah Sayed Hashem Al Tabtabaei
Chairman

The attached notes 1 to 9 form part of these 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 nine months ended 30 September 2017

	Attributable to equity holders of the Parent Company						Total KD
	Share capital KD	Statutory reserve KD	General reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	
Balance at 1 January 2017 (Audited)	8,455,178	2,096,776	2,096,776	2,242,746	14,891,476	1,041,887	15,933,363
Loss for the period	-	-	-	(46,569)	(46,569)	(28,575)	(75,144)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(46,569)	(46,569)	(28,575)	(75,144)
Bonus shares issued (Note 6)	1,691,035	-	-	(1,691,035)	-	-	-
Balance at 30 September 2017	10,146,213	2,096,776	2,096,776	505,142	14,844,907	1,013,312	15,858,219
Balance at 1 January 2016 (Audited)	7,686,525	2,081,621	2,081,621	2,929,447	14,779,214	1,026,902	15,806,116
(Loss) profit for the period	-	-	-	(3,709)	(3,709)	35,551	31,842
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive (loss) income for the period	-	-	-	(3,709)	(3,709)	35,551	31,842
Bonus shares issued (Note 6)	768,653	-	-	(768,653)	-	-	-
Balance at 30 September 2016	8,455,178	2,081,621	2,081,621	2,157,085	14,775,505	1,062,453	15,837,958

The attached notes 1 to 9 form part of these 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 nine months ended 30 September 2017

	Note	Nine months ended 30 September	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
(Loss)/profit for the period		(75,144)	31,842
Non-cash adjustments to reconcile loss/profit for the period to net cash flows:			
Depreciation		725,744	860,258
Allowance for impairment of accounts receivable		181,899	396,765
Provision for employees' end of service benefits		64,470	68,407
Finance costs		45,524	56,924
Interest income		(18,458)	(25,022)
		<u>924,035</u>	<u>1,389,174</u>
Working capital adjustments:			
Inventories		394,189	(358,392)
Trade and other receivables		(307,034)	923,099
Trade and other payables		(675,102)	(1,272,330)
Cash flows from operations		<u>336,088</u>	<u>681,551</u>
Employees' end of service benefits paid		(25,235)	(81,700)
Net cash flows from operating activities		<u>310,853</u>	<u>599,851</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(970)	(41,357)
Interest income received		18,458	25,022
Net movement in term deposits		320,000	720,000
Net cash flows from investing activities		<u>337,488</u>	<u>703,665</u>
FINANCING ACTIVITIES			
Net movement in loan from a related party		-	(245,000)
Finance costs paid		(17,687)	(10,457)
Net cash flows used in financing activities		<u>(17,687)</u>	<u>(255,457)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		630,654	1,048,059
Cash and cash equivalents at 1 January		<u>4,237,234</u>	<u>3,219,931</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	<u>4,867,888</u>	<u>4,267,990</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

1 CORPORATE INFORMATION AND ACTIVITIES

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 2017 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 31 October 2017.

The Parent Company was established as a closed Kuwaiti Shareholding Company on 19 January 1984 and is listed on the Kuwait Stock Exchange. 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

- a) The interim condensed consolidated financial information of the Group has been prepared in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34").
- b) The interim condensed consolidated financial information are presented in Kuwaiti Dinars ("KD") which is also the functional currency of the Group.
- c) The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016.
- d) The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017. None of these are expected to have a significant effect on the interim condensed consolidated financial information of the Group.

3 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share attributable to the equity holders of the Parent Company is calculated by dividing the earnings for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Loss for the period attributable to the equity holders of the Parent Company (KD)	<u>(138,323)</u>	<u>(24,368)</u>	<u>(46,569)</u>	<u>(3,709)</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 per share	<u>(1.36) fils</u>	<u>(0.24) fils</u>	<u>(0.46) fils</u>	<u>(0.04) fils</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

3 BASIC AND DILUTED LOSS PER SHARE (continued)

The basic and diluted loss per share of the prior period have been restated for bonus shares approved by the Annual General Assembly of the shareholders held on 6 June 2017 (Note 6).

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

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 1,787,218 (31 December 2016: KD 1,998,095; 30 September 2016: KD 2,068,388) 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 'Court of Appeals'. 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 consequent 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 2017, the management has not entered into any of the 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, 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 comprises the following:

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Bank balances and cash	965,506	542,734	647,990
Term deposits	<u>4,030,000</u>	<u>4,230,000</u>	<u>3,780,000</u>
	4,995,506	4,772,734	4,427,990
Less: Bank overdrafts	(67,618)	(155,500)	-
Less: Term deposits with original maturities more than 3 months	<u>(60,000)</u>	<u>(380,000)</u>	<u>(160,000)</u>
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u><u>4,867,888</u></u>	<u><u>4,237,234</u></u>	<u><u>4,267,990</u></u>

Term deposits are placed with local banks and yield interest at commercial rates.

Term deposits of KD 60,000 (31 December 2016: KD 160,000; 30 September 2016: KD 160,000) with maturities of more than one year have been classified as non-current assets in the interim consolidated statement of financial position. Included within term deposits an amount of KD 36,000 (31 December 2016: KD 36,000; 30 September 2016: KD 36,000) are restricted by a local bank to fulfill collateral requirements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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 2016: 84,551,775 shares of 100 fils each and 30 September 2016: 84,551,775 shares of 100 fils each).

Bonus shares

At the Annual General Meeting dated 6 June 2017, the shareholders of the Parent Company approved the distribution of bonus shares in the ratio of two shares for every ten shares amounting to KD 1,691,035 (2016: one share for every ten shares amounting to KD 768,653) in the same proportion as their existing shareholding.

At the Extraordinary General Meeting dated 6 June 2017, the shareholders of the Parent Company approved the increase in authorised share capital from 84,551,775 shares of 100 fils each to 101,462,130 shares of 100 fils each.

The legal formalities in respect of the increase in authorised share capital on account of the issuance of bonus shares was completed on 19 July 2017.

7 TRANSACTIONS WITH RELATED PARTIES

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.

Significant transactions with related parties included in the interim condensed consolidated statement of comprehensive income are as follows:

<i>Nine months period ended 30 September</i>		<i>Cost of goods sold KD</i>	<i>Administrative expenses KD</i>	<i>Finance costs KD</i>
Entities under common control	2017	4,878,433	28,870	40,609
	2016	6,399,129	29,050	46,461

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

		<i>Accounts receivable and prepayments KD</i>	<i>Accounts payable and accruals KD</i>	<i>Loan from a related party KD</i>
Associate	30 September 2017	15,228	-	-
	31 December 2016 (Audited)	15,228	-	-
	30 September 2016	15,228	-	-
Other related parties	30 September 2017	780	457,016	1,082,900
	31 December 2016 (Audited)	780	861,781	1,082,900
	30 September 2016	388	87,428	1,082,900

Loan from a related party carries an interest at 5% p.a. (31 December 2016: 5% p.a.; 30 September 2016: 5% p.a.) and is expected to be settled more than twelve months after the reporting period.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

7 TRANSACTIONS WITH RELATED PARTIES (continued)

Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short-term benefits	58,571	50,136	196,140	185,347
Directors' remuneration	6,374	2,000	19,123	6,000
	<u>64,945</u>	<u>52,136</u>	<u>215,263</u>	<u>191,347</u>

8 CONTINGENCIES

As at 30 September 2017, the Group provided guarantees in the ordinary course of the business amounting to KD 306,000 (31 December 2016: KD 306,000; 30 September 2016: KD 389,840). No material liabilities are expected to arise.

9 SEGMENTAL ANALYSIS

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 segment results information in respect of the Group's business segments:

<i>Period ended 30 September 2017</i>	<i>Trading materials</i>	<i>Manufacturing materials</i>	<i>Adjustments and eliminations</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Revenue</i>				
External customer	4,278,755	8,772,032	-	13,050,787
Inter-segment	2,642,323	-	(2,642,323)	-
Intra-segment	-	467,469	(467,469)	-
<i>Total revenue</i>	<u>6,921,078</u>	<u>9,239,501</u>	<u>(3,109,792)</u>	<u>13,050,787</u>
Depreciation	357,654	368,090	-	725,744
<i>Segment results</i>	<u>15,500</u>	<u>(58,315)</u>	<u>-</u>	<u>(42,815)</u>
<i>Period ended 30 September 2016</i>	<i>Trading materials</i>	<i>Manufacturing materials</i>	<i>Adjustments and eliminations</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Revenue</i>				
External customer	5,654,241	10,445,676	-	16,099,917
Inter-segment	3,292,362	-	(3,292,362)	-
Intra-segment	-	1,368,319	(1,368,319)	-
<i>Total revenue</i>	<u>8,946,603</u>	<u>11,813,995</u>	<u>(4,660,681)</u>	<u>16,099,917</u>
Depreciation	456,646	403,612	-	860,258
<i>Segment results</i>	<u>(8,497)</u>	<u>72,553</u>	<u>-</u>	<u>64,056</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

9 SEGMENTAL ANALYSIS (continued)

The following table presents segment assets and liabilities information in respect of the Group's business segments:

	<i>Trading materials KD</i>	<i>Manufacturing materials KD</i>	<i>Adjustments and eliminations KD</i>	<i>Total KD</i>
<i>At 30 September 2017</i>				
Segment assets	<u>16,566,753</u>	<u>17,672,456</u>	<u>(12,877,743)</u>	<u>21,361,466</u>
Segment liabilities	<u>1,521,028</u>	<u>7,836,767</u>	<u>(3,854,548)</u>	<u>5,503,247</u>
<i>At 31 December 2016 (Audited)</i>				
Segment assets	<u>17,449,192</u>	<u>17,442,273</u>	<u>(12,758,943)</u>	<u>22,132,522</u>
Segment liabilities	<u>2,386,641</u>	<u>7,548,267</u>	<u>(3,735,749)</u>	<u>6,199,159</u>
<i>At 30 September 2016</i>				
Segment assets	<u>16,335,683</u>	<u>17,331,169</u>	<u>(12,538,857)</u>	<u>21,127,995</u>
Segment liabilities	<u>1,560,177</u>	<u>7,395,191</u>	<u>(3,665,331)</u>	<u>5,290,037</u>