

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

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

**31 MARCH 2017**



Building a better  
working world

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## 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 31 March 2017, and the related interim condensed consolidated statement of comprehensive income and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three 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*

Without further qualifying our conclusion, we draw attention to Note 4 to the interim condensed consolidated financial information which describes the uncertainty related to legal case pending with Kuwait Port Authority.

### **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 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

14 May 2017  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 31 March 2017


	Notes	Three months ended 31 March	
		2017 KD	2016 KD
Sale of goods		4,841,012	6,403,165
Cost of goods sold	7	(4,245,540)	(5,270,116)
<b>GROSS PROFIT</b>		<b>595,472</b>	<b>1,133,049</b>
Other income	7	53,223	31,437
Administrative expenses	7	(496,059)	(507,739)
Write back/(allowance) for impairment of accounts receivable		26,420	(87,824)
Finance costs	7	(15,237)	(17,205)
Foreign exchange gain/(loss)		3,129	(7,119)
<b>PROFIT FOR THE PERIOD BEFORE PROVISION FOR NATIONAL LABOUR SUPPORT TAX ("NLST"), KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), ZAKAT AND DIRECTORS' REMUNERATION</b>		<b>166,948</b>	<b>544,599</b>
NLST		(4,040)	(12,319)
KFAS		(1,207)	(3,921)
Zakat		(793)	(2,414)
Directors' remuneration		(2,447)	(2,000)
<b>PROFIT FOR THE PERIOD</b>		<b>158,461</b>	<b>523,945</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>158,461</b>	<b>523,945</b>
Attributable to:			
Equity holders of the Parent Company		126,078	415,000
Non-controlling interests		32,383	108,945
		<b>158,461</b>	<b>523,945</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	3	<b>1.5 fils</b>	<b>4.9 fils</b>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

			<i>(Audited)</i>	
	<i>Notes</i>	<i>31 March 2017 KD</i>	<i>31 December 2016 KD</i>	<i>31 March 2016 KD</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	4,613,164	4,859,963	5,699,509
Goodwill		5,047,444	5,047,444	5,047,444
Term deposits	5	160,000	160,000	160,000
		<u>9,820,608</u>	<u>10,067,407</u>	<u>10,906,953</u>
<b>Current assets</b>				
Inventories		1,362,099	2,028,671	1,153,777
Accounts receivable and prepayments		4,796,363	5,423,710	5,952,191
Term deposits	5	4,620,000	4,070,000	2,640,000
Bank balances and cash	5	1,231,688	542,734	1,942,773
		<u>12,010,150</u>	<u>12,065,115</u>	<u>11,688,741</u>
<b>TOTAL ASSETS</b>		<u><b>21,830,758</b></u>	<u><b>22,132,522</b></u>	<u><b>22,595,694</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	6	8,455,178	8,455,178	7,686,525
Statutory reserve		2,096,776	2,096,776	2,081,621
General reserve		2,096,776	2,096,776	2,081,621
Retained earnings		2,368,824	2,242,746	3,344,447
Equity attributable to the equity holders of the Parent Company		<u>15,017,554</u>	<u>14,891,476</u>	<u>15,194,214</u>
Non-controlling interests		1,074,270	1,041,887	1,135,847
<b>Total equity</b>		<u><b>16,091,824</b></u>	<u><b>15,933,363</b></u>	<u><b>16,330,061</b></u>
<b>Non-current liabilities</b>				
Loan from a related party	7	1,082,900	1,082,900	1,327,900
Employees' end of service benefits		692,480	700,989	708,580
		<u>1,775,380</u>	<u>1,783,889</u>	<u>2,036,480</u>
<b>Current liabilities</b>				
Accounts payable and accruals	7	3,963,554	4,259,770	21,276
Term loan		-	-	4,207,877
Bank overdraft		-	155,500	-
		<u>3,963,554</u>	<u>4,415,270</u>	<u>4,229,153</u>
<b>Total liabilities</b>		<u><b>5,738,934</b></u>	<u><b>6,199,159</b></u>	<u><b>6,265,633</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>21,830,758</b></u>	<u><b>22,132,522</b></u>	<u><b>22,595,694</b></u>

  
Sayed Salah Sayed Hashem Al Tabtabaei  
Chairman

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 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
Profit for the period	-	-	-	126,078	126,078	32,383	158,461
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	126,078	126,078	32,383	158,461
<b>Balance at 31 March 2017</b>	<b>8,455,178</b>	<b>2,096,776</b>	<b>2,096,776</b>	<b>2,368,824</b>	<b>15,017,554</b>	<b>1,074,270</b>	<b>16,091,824</b>
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
Profit for the period	-	-	-	415,000	415,000	108,945	523,945
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	415,000	415,000	108,945	523,945
Balance at 31 March 2016	7,686,525	2,081,621	2,081,621	3,344,447	15,194,214	1,135,847	16,330,061

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)

Period ended 31 March 2017

	Note	Three months ended 31 March	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		158,461	523,945
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation		246,799	286,546
(Write back)/allowance for impairment of accounts receivable		(26,420)	87,824
Provision for employees' end of service benefits		8,916	13,657
Finance costs		15,237	17,205
Interest income		(19,210)	(9,247)
		383,783	919,930
Working capital adjustments:			
Inventories		666,572	67,442
Accounts receivable and prepayments		653,767	194,977
Accounts payable and accruals		(296,751)	(515,744)
Cash flows from operations		1,407,371	666,605
Employees' end of service benefits paid		(16,890)	(44,360)
Net cash flows from operating activities		1,390,481	622,245
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(9,320)
Interest income received		19,210	9,247
Net movement in term deposits		-	400,000
Net cash flows from investing activities		19,210	399,927
<b>FINANCING ACTIVITY</b>			
Finance costs paid		(15,237)	(606)
Net cash flows used in financing activity		(15,237)	(606)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,394,454</b>	<b>1,021,566</b>
Cash and cash equivalents at 1 January		4,237,234	3,219,931
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	5	<b>5,631,688</b>	<b>4,241,497</b>

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

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

As at 31 March 2017

### 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 period ended 31 March 2017 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 14 May 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.

The Annual General Meeting of the Parent Company for the year ended 31 December 2016 has not yet been held. The shareholders has the power to amend the consolidated financial statements for the year ended 31 December 2016 at the Annual General Meeting of the Parent Company; and consequently, may have an impact on the current period's interim condensed consolidated financial information.

### 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. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.
- d) The accounting policies used 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 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

### 3 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings 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>31 March</i>	
	<i>2017</i>	<i>2016</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	<u>126,078</u>	<u>415,000</u>
Weighted average number of shares outstanding during the period	<u>84,551,775</u>	<u>84,551,775</u>
Basic and diluted earnings per share	<u>1.5 fils</u>	<u>4.9 fils</u>

The basic and diluted earnings per share of the prior period have been restated for bonus shares approved by Annual General Assembly of the shareholders held on 18 April 2016 (Note 6).

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

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

As at 31 March 2017

### 4 PROPERTY, PLANT AND EQUIPMENT

On 29 January 2009, the Parent Company received notice from Kuwait Port Authority (KPA) to vacate the premises of KPA and remove the barge with a carrying value of KD 1,927,802 (31 December 2016: KD 1,998,095; 31 March 2016: KD 2,208,972) owned by the Parent Company which is moored alongside the berth owned by KPA. The judgment was issued by the first Court on 8 May 2014 in favour of the Parent Company and KPA had filed an appeal in 'Court of Appeals'. Subsequent to the period ended 31 March 2017, the judgement was issued against Parent Company on 16 April 2017 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 asking for the increase in rental charges. As at 31 March 2017, the management has not entered into any of the new contract with KPA. However the provision for rental expenses were made as per the new rates mentioned in the notice 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 the 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>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Bank balances and cash	<b>1,231,688</b>	542,734	1,942,773
Term deposits	<b>4,780,000</b>	4,230,000	2,800,000
	<b>6,011,688</b>	4,772,734	4,742,773
Less: Bank overdrafts	-	(155,500)	(21,276)
Less: Term deposits whose original maturity is more than 3 months	<b>(380,000)</b>	(380,000)	(480,000)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<b>5,631,688</b>	4,237,234	4,241,497

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

Term deposits of KD 160,000 (31 December 2016: KD 160,000; 31 March 2016: KD 160,000) whose maturity is more than one year has been classified as non-current assets in the interim consolidated statement of financial position. Term deposits amounting to KD 36,000 (31 December 2016: KD 36,000; 31 March 2016: KD 36,000) is blocked by a local bank.

### 6 SHAREHOLDERS EQUITY

#### Share capital

The authorised, issued and paid up capital of the Parent Company comprises of 84,551,775 ordinary shares of 100 fils each (31 December 2016: 84,551,775 shares of 100 fils each and 31 March 2016: 76,865,250 shares of 100 fils each).

#### Bonus shares

The Annual General Meeting of the Parent Company for the year ended 31 December 2016 has not yet been held. The Board of Directors of the Parent Company had recommended the issue of bonus share in the ratio of two shares for every 10 shares held as at 31 December 2016 amounting to KD 1,691,036.

The extraordinary general assembly meeting held on 18 April 2016, approved the increase in authorised share capital from 76,865,250 shares of 100 fils each to 84,455,178 shares of 100 fils each.



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

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

As at 31 March 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>Three months period ended</i>		<i>Cost of goods</i>	<i>Administrative</i>	<i>Finance cost</i>
<i>31 March</i>		<i>sold</i>	<i>expenses</i>	
		<i>KD</i>	<i>KD</i>	<i>KD</i>
Entities under common control	<b>2017</b>	<b>1,217,554</b>	<b>8,276</b>	<b>13,536</b>
	2016	2,308,637	8,701	16,599

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

		<i>Accounts</i>	<i>Accounts</i>	<i>Loan from a</i>
		<i>receivable and</i>	<i>payable and</i>	<i>related party</i>
		<i>prepayments</i>	<i>accruals</i>	<i>KD</i>
		<i>KD</i>	<i>KD</i>	
Associate	<b>31 March 2017</b>	<b>15,228</b>	-	-
	31 December 2016 (Audited)	15,228	-	-
	31 March 2016	15,228	-	-
Other related parties	<b>31 March 2017</b>	<b>780</b>	<b>518,540</b>	<b>1,082,900</b>
	31 December 2016 (Audited)	780	861,781	1,082,900
	31 March 2016	-	456,371	1,327,900

Loan from a related party carries an average interest of 5% p.a. (31 December 2016: 5% p.a.; 31 March 2016: 5% p.a.) and will not be settled within 1 year from the reporting date, consequently classified as non-current liabilities in the interim condensed consolidated statement of financial position.

#### Compensation of key management personnel

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Salaries and short-term benefits	<b>61,331</b>	74,129

### 8 CONTINGENCIES AND COMMITMENTS

As at 31 March 2017, the Group had contingent liabilities in respect of bank guarantees arising in the ordinary course of the business from which it is anticipated that no material liabilities will arise, amounting to KD 306,000 (31 December 2016: KD 306,000; 31 March 2016: KD 389,840).

### 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.

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

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

As at 31 March 2017

### 9 SEGMENTAL ANALYSIS (continued)

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

<i>Period ended 31 March 2017</i>	<i>Trading materials KD</i>	<i>Manufacturing materials KD</i>	<i>Adjustments and eliminations KD</i>	<i>Total KD</i>
<i>Revenue</i>				
External customer	1,336,815	3,504,197	-	4,841,012
Intra-segment	-	169,335	(169,335)	-
Inter-segment	1,101,939	-	(1,101,939)	-
<i>Total revenue</i>	<u>2,438,754</u>	<u>3,673,532</u>	<u>(1,271,274)</u>	<u>4,841,012</u>
Depreciation	119,898	126,901	-	246,799
<i>Segment results</i>	<u>92,374</u>	<u>66,087</u>	<u>-</u>	<u>158,461</u>
<i>Period ended 31 March 2016</i>	<i>Trading Materials KD</i>	<i>Manufacturing materials KD</i>	<i>Adjustments and eliminations KD</i>	<i>Total KD</i>
<i>Revenue</i>				
External customer	2,055,183	4,347,982	-	6,403,165
Intra-segment	1,328,955	-	(1,328,955)	-
Inter-segment	-	593,878	(593,878)	-
<i>Total revenue</i>	<u>3,384,138</u>	<u>4,941,860</u>	<u>(1,922,833)</u>	<u>6,403,165</u>
Depreciation	151,819	134,727	-	286,546
<i>Segment results</i>	<u>322,263</u>	<u>222,336</u>	<u>-</u>	<u>544,599</u>

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 31 March 2017</i>				
Segment assets	16,594,251	18,157,516	(12,921,009)	21,830,758
Segment liabilities	1,439,324	8,197,424	(3,897,814)	5,738,934
<i>At 31 December 2016 (Audited)</i>				
Segment assets	17,449,192	17,442,273	(12,758,943)	22,132,522
Segment liabilities	2,386,641	7,548,267	(3,735,749)	6,199,159
<i>At 31 March 2016</i>				
Segment assets	16,616,538	19,246,461	(13,267,305)	22,595,694
Segment liabilities	1,422,319	9,160,704	(4,317,390)	6,265,633