

**Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait**

Interim Condensed Consolidated Financial Information (Unaudited)
And review report for the three month period ended 31 March 2019

**Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait**

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**Review Report of Interim Condensed Consolidated Financial Information to the Board of Directors
Kuwait Portland Cement Co. K.P.S.C.
State of Kuwait**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Portland Cement Co. K.P.S.C. ("The Parent Company") and its subsidiary (together referred to as "the Group") as at 31 March 2019, and the related interim condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the three month period then ended. The preparation and presentation of this interim condensed consolidated financial information is the responsibility of the Parent Company's management in accordance with IAS 34: (Interim Financial Reporting). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 International Accounting Standard 34: (Interim Financial Reporting).

Report on Other Legal and Regulatory Requirements

Furthermore, the condensed consolidated interim financial information is in agreement with the books of account. We further report that, to the best of our knowledge and belief, no violations of Companies' Law No. 1 of 2016, and its executive regulations, as amended or of the Parent Company's memorandum of incorporation and articles of association, as amended, have occurred during the three month period ended 31 March 2019, that might have had a material effect on the business of the Group or on its interim condensed consolidated financial position.



Faisal Saqer Al Saqer
License No. 172 – "A"
BDO Al Nisf & Partners

Kuwait: 9 May 2019

Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait

Interim condensed consolidated statement of financial position (unaudited)
As at 31 March 2019

		(audited)	
	31 March 2019	31 December 2018	31 March 2018
	Notes	KD	KD
Assets			
Non-current assets			
Financial assets at fair value through other comprehensive income		18,324,222	16,036,084
Property, plant and equipment		6,447,927	6,991,932
		<u>24,772,149</u>	<u>23,005,411</u>
Current assets			
Financial assets at fair value income		24,930,777	21,517,130
Trade receivables and other debit balances	5	32,095,184	31,380,403
Inventories	6	6,206,723	5,199,531
Cash and cash equivalents	7	9,493,844	10,967,335
		<u>72,726,528</u>	<u>69,064,399</u>
Total assets		<u>97,498,677</u>	<u>92,069,810</u>
Equity and liabilities			
Equity			
Share capital		10,022,196	10,022,196
Statutory reserve		10,022,196	10,022,196
Voluntary reserve		10,022,196	10,022,196
General reserve		2,500,000	2,500,000
Treasury shares reserve		544,943	544,943
Change in fair value reserve		9,569,212	7,258,469
Retained earnings		32,137,944	30,663,151
Total equity		<u>74,818,687</u>	<u>71,033,151</u>
Liabilities			
Non-current liabilities			
Other provisions		2,184,449	1,754,449
Provision for employees' end of service indemnity		4,460,467	4,143,175
		<u>6,644,916</u>	<u>5,897,624</u>
Current liabilities			
Trade payables and other credit balances	8	15,601,625	14,546,377
Dividends payable		433,449	592,658
		<u>16,035,074</u>	<u>15,139,035</u>
Total liabilities		<u>22,679,990</u>	<u>21,036,659</u>
Total equity and liabilities		<u>97,498,677</u>	<u>92,069,810</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.

Ali A. Al-Omar
Vice Chairman



Khalifa Hamoud Al Ghanim
CEO and Board Member

**Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait**

Interim condensed consolidated statement of income (unaudited)
For the three month period ended 31 March 2019

	Notes	Three months ended	
		31 March	
		2019	2018
		KD	KD
Income			
Sales		26,794,937	30,323,533
Cost of sales		(23,791,189)	(26,091,137)
Gross profit		3,003,748	4,232,396
Unrealised profit on financial assets at fair value through statement of income		2,093,663	645,329
Profit on sale of financial assets at fair value through statement of income		-	131
Interest income		1,336	1,917
Net investment income		52,928	-
Loss from foreign exchange		(95)	(7,059)
Other income	13	460,706	527,760
Total revenues		5,612,286	5,400,474
Expenses and other charges			
General and administrative expenses		(744,278)	(842,704)
Distribution expenses		(521,201)	(465,431)
Other provisions		(40,000)	(30,000)
Profit for the period before KFAS, NLST, Zakat and Directors' remuneration		4,306,807	4,062,339
Contribution to Kuwait Foundation for the Advancement of Sciences		(43,068)	(40,623)
National Labour Support Tax		(109,472)	(64,315)
Zakat		(43,789)	(25,726)
Board of directors' remuneration		(65,000)	(65,000)
Profit for the period		4,045,478	3,866,675
Basic earnings per share (fils)	9	40.37	38.58

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.



Kuwait Portland Cement Co. K.P.S.C.
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Interim Condensed Consolidated Statement of Income and Other Comprehensive Income (Unaudited)
For the three month period ended 31 March 2019

	Three months ended	
	31 March	
	2019	2018
	KD	KD
Profit for the period	<u>4,045,478</u>	<u>3,866,675</u>
Items of other comprehensive profit		
<i>Items that may not be reclassified subsequently in the interim condensed consolidated statement of income:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<u>2,288,138</u>	<u>176,031</u>
Other comprehensive income for the period	<u>2,288,138</u>	<u>176,031</u>
Total other comprehensive income for the period	<u>6,333,616</u>	<u>4,042,706</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.



Kuwait Portland Cement Co. K.P.S.C.
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Interim condensed consolidated statement of changes in equity (unaudited)

For the three month period ended 31 March 2019

	Share capital	Statutory reserve	Voluntary reserve	General reserve	Treasury shares reserve	Change of fair value reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 31 December 2017	10,022,196	10,022,196	10,022,196	2,500,000	544,943	5,149,764	30,229,150	68,490,445
Impact of adoption of IFRS 9	-	-	-	-	-	1,932,674	(3,432,674)	(1,500,000)
Total comprehensive income for the period	-	-	-	-	-	176,031	3,866,675	4,042,706
Balance as at 31 March 2018	<u>10,022,196</u>	<u>10,022,196</u>	<u>10,022,196</u>	<u>2,500,000</u>	<u>544,943</u>	<u>7,258,469</u>	<u>30,663,151</u>	<u>71,033,151</u>
Balance as at 31 December 2018	10,022,196	10,022,196	10,022,196	2,500,000	544,943	7,281,074	28,092,466	68,485,071
Total comprehensive income for the period	-	-	-	-	-	2,288,138	4,045,478	6,333,616
Balance as at 31 March 2019	<u>10,022,196</u>	<u>10,022,196</u>	<u>10,022,196</u>	<u>2,500,000</u>	<u>544,943</u>	<u>9,569,212</u>	<u>32,137,944</u>	<u>74,818,687</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.

**Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait**

Interim condensed consolidated statement of cash flows (unaudited)

For the three month period ended 31 March 2019

	Note	Three months ended 31 March	
		2019 KD	2018 KD
Operating activities			
Net profit for the period		4,045,478	3,866,675
<i>Adjustments to:</i>			
Depreciation		835,028	1,756,200
Unrealised profit on assets at fair value through income		(2,093,663)	(645,329)
Losses from sale of assets at fair value through income		-	131
Dividend income		(52,928)	-
Other provisions		40,000	30,000
Provision for employees' end of service indemnity		95,405	439,898
		<u>2,869,320</u>	<u>5,447,575</u>
<i>Movements in working capital:</i>			
Trade receivables and other debit balances		(5,509,426)	(485,376)
Inventories		3,670,586	694,795
Trade payables and other credit balances		(582,081)	(6,316,626)
<i>Cash from operation</i>		<u>448,399</u>	<u>(659,632)</u>
Payment of employees' end of service indemnity provision		(11,335)	(26,981)
<i>Net cash from / (used in) operating activities</i>		<u>437,064</u>	<u>(686,613)</u>
Investing activities			
Paid for purchase of property, machinery and equipment		(1,179,662)	(2,590,671)
Proceeds on sale of assets at fair value through other comprehensive income		-	1,615,622
Assets at fair value through statement of income		(1,146,358)	(961,788)
Dividend income received		52,928	-
<i>Net cash used in investment activities</i>		<u>(2,273,092)</u>	<u>(1,936,837)</u>
Financing activities			
Dividend payments		(15,145)	(33,140)
<i>Net cash used in financing activities</i>		<u>(15,145)</u>	<u>(33,140)</u>
Net decrease in cash and cash equivalents		(1,851,173)	(2,656,590)
cash and cash equivalents at beginning of the period		11,345,017	13,623,925
Cash and cash equivalents at the end of the period	7	<u>9,493,844</u>	<u>10,967,335</u>

The accompanying notes on pages 7 to 14 form an integral part of this interim condensed consolidated financial information.

**Kuwait Portland Cement Co. K.P.S.C.
and its subsidiary
State of Kuwait**

Notes to the interim condensed consolidated financial information (unaudited)

For the three month period ended 31 March 2019

1. General Information

Kuwait Portland Cement Company K.P.S.C. ("the Parent Company") was incorporated on 7 July 1976 in Kuwait as per memorandum of incorporation No. 966, Volume 2, and was listed on Boursa Kuwait on 1 April 1995. Last amendment to the memorandum of incorporation and articles of association of the Parent Company is dated 13 June 2017 to register the Parent Company's share capital increase through bonus shares, and to add an article concerning allowing the Company to purchase and sell its shares (treasury shares) to the extent of 10% of its issued shares at market value pursuant to provisions of executive regulations of law No. 7 of 2010 on CMA and regulation of securities industry as amended. The main activities of the Parent Company are as follows:

- Trading by import & export in bulk cement and packaging of the different types of cement.
- Constructing, operating, leasing, and renting of stores and silos necessary for the supply and distribution of the different types of cement.
- Acquisition of the means of transportation for that purpose.
- Manufacturing and marketing of readymade concrete
- Purchasing and importing raw materials, machines and vehicles related to the Group's purposes.
- Acquisition of movables and real estates related to the Group's purposes.
- Utilizing the financial surpluses of the Parent Company by investing them in portfolios by specialized companies and entities.

Activity of aggregate import, trade and sale and acquisition of its equipment, means of transportation and crushers.

Activity related to sand (Quarries) and acquisition of its equipment and means of transportation.

The address of the Parent Company's registered office is P.O. Box, 42191, Shuwaikh -70652, State of Kuwait.

The interim condensed consolidated financial information of Kuwait Portland Cement Company K.S.C. (Public) and its subsidiary (the Group) for the period ended 31 March 2019 were authorized for issue by the Parent Company's board of directors on 9 May 2019.

2. Basis of preparation

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

Operating results for the three-month period ended 31 March 2019 is not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further information, please refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2018.

**Kuwait Portland Cement Co. K.P.S.C.
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Notes to the interim condensed consolidated financial information (unaudited)

For the three month period ended 31 March 2019

2. Basis of preparation (Continued)

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Group.

The accounting policies used in the preparation of this interim condensed consolidated financial information for the current interim financial period are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following new standards and amendments effective as of 1 January 2018. Although these new standards and amendments will be applied for the first time in 2018, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group as follows.

- IFRS 16: Leases
- Amendments to IFRS 9: Benefits of advance payment with negative compensation
- Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures
- Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 2017):
 - IFRS 3 - Business combinations
 - IFRS 11 - Joint arrangements
 - IAS 23 - Borrowing Costs

3. Use of estimates and judgements

In preparation of the interim condensed consolidated financial information, the management made judgments and estimates that may affect the adoption of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates.

The significant judgements made by management in adoption of the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described below.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the group's chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the group audit committee.

**Kuwait Portland Cement Co. K.P.S.C.
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Notes to the interim condensed consolidated financial information (unaudited)

For the three month period ended 31 March 2019

3. Use of estimates and judgements (Continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further details about the assumptions made in measuring fair value are included in note 13.

4. Details of the subsidiary

<u>Name of the subsidiary</u>	<u>Principal activity</u>	<u>Place of Incorporation</u>	<u>Percentage of holding</u>	
			<u>2018</u>	<u>2017</u>
National Company for Aggregate Import & Sale W.L.L	Import and sale of aggregates	State of Kuwait	98%	98%

There are assignment letters from the non-controlling parties regarding their interests in the company in favor of the Parent Company.

5. Trade receivables and other debit balances

	(audited)		
	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2018</u>
	KD	KD	KD
Trade receivables	35,002,096	29,081,428	34,070,437
Provision for expected credit losses	(3,113,921)	(3,113,921)	(3,113,921)
	31,888,175	25,967,507	30,956,516
Advance payments	73,926	87,798	60,174
Staff receivables	133,083	530,453	363,713
	<u>32,095,184</u>	<u>26,585,758</u>	<u>31,380,403</u>

Kuwait Portland Cement Co. K.P.S.C.
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Notes to the interim condensed consolidated financial information (unaudited)

For the three month period ended 31 March 2019

6. Inventories

	31 March 2019	(audited) 31 December 2018	31 March 2018
	KD	KD	KD
Raw materials	469,790	430,877	480,594
Cement	1,616,863	928,246	2,653,933
Steel	3,585,480	3,061,709	1,674,881
Spare Parts	262,028	321,922	217,442
Goods in transit	257,279	184,009	151,972
Cement sacks	42,984	39,497	48,410
	<u>6,234,424</u>	<u>9,905,010</u>	<u>5,227,232</u>
Provision of slow moving inventories	<u>(27,701)</u>	<u>(27,701)</u>	<u>(27,701)</u>
	<u>6,206,723</u>	<u>9,877,309</u>	<u>5,199,531</u>

7. Cash and cash equivalents

	31 March 2019	(audited) 31 December 2018	31 March 2018
	KD	KD	KD
Cash on hand	477,759	110,506	437,405
Bank balances	8,976,501	10,048,569	10,242,744
Cash in investment portfolios	39,584	1,185,942	287,186
	<u>9,493,844</u>	<u>11,345,017</u>	<u>10,967,335</u>

8. Other provisions

This item represents rental amount estimated by the Parent Company's management for group's cement plant located in Shuwaikh Port of KD 1,850,634 and KD 333,815 for gate fees.

There are mutual lawsuits between the Group and other parties regarding these amounts.

9. Trade and other payables *credit balances*

	31 March 2019	(audited) 31 December 2018	31 March 2018
	KD	KD	KD
Trade payables	14,423,750	13,833,377	13,034,761
Accrued expenses	840,538	1,241,989	860,961
Accrued leave	81,102	411,103	454,991
Contribution to Kuwait Foundation for the Advancement of Sciences	41,936	110,132	40,623
National Labour Support Tax	106,642	233,646	64,315
Zakat	42,657	93,459	25,726
Board of directors' remuneration	65,000	260,000	65,000
	<u>15,601,625</u>	<u>16,183,706</u>	<u>14,546,377</u>

**Kuwait Portland Cement Co. K.P.S.C.
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Notes to the interim condensed consolidated financial information (unaudited)

For the three month period ended 31 March 2019

10. Basic earnings per share (fils)

Basic earnings per share are calculated by dividing net profit for the period by the weighted average number of shares:

	Three months ended 31 March	
	2019	2018
Loss for the period (KD)	<u>4,045,478</u>	<u>3,866,675</u>
Weighted average number of outstanding shares (share)	<u>100,221,960</u>	<u>100,221,960</u>
Basic earnings per share (fils)	<u>40.37</u>	<u>38.58</u>

11. Related party transactions

Related party transactions primarily comprise of subsidiaries, significant shareholders, directors and key management personnel of the Group, and entities of which they are principal owners. All related party transactions are carried out on terms approved by the Group's management.

Related parties transactions included in the interim condensed consolidated financial information were as follows:

	Three months ended 31 March	
	2019	2018
Condensed consolidated statement of income:	KD	KD
<i>Staff and executive managers:</i>		
Salaries and other benefits	165,677	165,677
Board of directors' remuneration	65,000	65,000

12. Segment information

IFRS 8 requires that operating segments to be identified based on the internal reports of Group segments which are regularly reviewed by the chief decision maker so as to evaluate their performance. The Parent Company's management has classified the Group's products and services into the following operational segments according to the IFRS 8: "Operating Segments".

- Cement, steel and aggregate.
- Ready mix.
- Investments.

Kuwait Portland Cement Co. K.P.S.C.
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Notes to the interim condensed consolidated financial information (unaudited)

For the three month period ended 31 March 2019

13. Fair value measurement

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are supported by observable sources for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 March 2019	Level 1	Total
	KD	KD
<i>Financial assets at fair value income</i>		
Quoted equities	24,930,777	24,930,777
<i>Financial assets at fair value through other comprehensive income</i>		
Quoted equities	18,324,222	18,324,222
31 December 2018	Level 1	Total
	KD	KD
<i>Financial assets at fair value income</i>		
Quoted equities	21,396,671	21,396,671
<i>Financial assets at fair value through other comprehensive income</i>		
Quoted equities	15,936,084	15,936,084
31 March 2018	Level 1	Total
	KD	KD
<i>Financial assets at fair value income</i>		
Quoted equities	21,517,130	21,517,130
<i>Financial assets at fair value through other comprehensive income</i>		
Quoted equities	16,013,479	16,013,479

**Kuwait Portland Cement Co. K.P.S.C.
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Notes to the interim condensed consolidated financial information (unaudited)

For the three month period ended 31 March 2019

13. Fair value measurement (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuations with marketability discount provided in the range of 10% to 50%.

Agree fair value measurements of available for sale financial assets with Level 3.

14. Contingent liabilities

	31 March 2019	(audited) 31 December 2018	31 March 2018
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Letters of guarantee	6,261,120	6,261,120	6,261,120

15. General assembly of shareholders

On 11 April 2019, the general assembly of shareholders was held and approved the consolidated financial statements for the financial year ended 31 December 2018 and approved distribution of cash dividends at 100% (100 fils per share) to the shareholders of record as of the date of holding the general assembly.