



**Qurain Petrochemical Industries Company  
K.S.C.P. and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**

**30 JUNE 2019 (UNAUDITED)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF QURAIN PETROCHEMICAL INDUSTRIES COMPANY K.S.C.P.**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Qurain Petrochemical Industries Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 30 June 2019, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

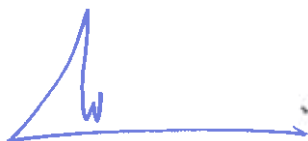
We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for 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.

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



---

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


25 July 2019  
Kuwait

**Qurain Petrochemical Industries Company K.S.C.P. and Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at 30 June 2019

			<i>(Audited)</i>		
	<i>Notes</i>	<i>30 June 2019 KD</i>	<i>31 March 2019 KD</i>	<i>30 June 2018 KD</i>	
<b>ASSETS</b>					
<b>Current assets</b>					
Bank balances and cash	4	<b>108,168,600</b>	114,281,755	99,806,760	
Trade and other receivables		<b>43,521,964</b>	34,555,141	31,162,194	
Inventories		<b>30,245,514</b>	27,741,862	30,202,404	
Financial assets at fair value through profit or loss		<b>7,846,532</b>	7,805,466	7,281,771	
<b>Total current assets</b>		<b>189,782,610</b>	184,384,224	168,453,129	
<b>Non-current assets</b>					
Due from a related party	9	-	-	1,250,000	
Financial assets at fair value through other comprehensive income	5	<b>223,333,882</b>	223,322,875	202,013,733	
Investment in associates and joint venture		<b>94,388,359</b>	91,483,254	88,146,002	
Goodwill and intangible assets	15	<b>141,909,153</b>	126,582,387	127,689,120	
Property, plant and equipment		<b>143,791,232</b>	105,361,802	97,409,731	
Right of use assets		<b>5,872,147</b>	-	-	
<b>Total non-current assets</b>		<b>609,294,773</b>	546,750,318	516,508,586	
<b>Total assets</b>		<b>799,077,383</b>	731,134,542	684,961,715	
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		<b>120,825,245</b>	60,861,428	52,667,653	
Borrowings		<b>1,409,547</b>	1,445,193	11,487,510	
<b>Total current liabilities</b>		<b>122,234,792</b>	62,306,621	64,155,163	
<b>Non-current liabilities</b>					
Employees' end of service benefits		<b>15,009,860</b>	13,224,715	12,786,376	
Borrowings		<b>66,730,102</b>	66,981,890	68,376,749	
Non-controlling interest put option		<b>2,066,786</b>	1,957,873	-	
Trade and other payables	9	<b>4,875,970</b>	312,520	-	
<b>Total non-current liabilities</b>		<b>88,682,718</b>	82,476,998	81,163,125	
<b>Total liabilities</b>		<b>210,917,510</b>	144,783,619	145,318,288	
<b>EQUITY</b>					
Share capital		<b>109,919,258</b>	109,919,258	109,919,258	
Statutory reserve		<b>30,934,331</b>	30,934,331	26,243,257	
Voluntary reserve		<b>30,812,629</b>	30,812,629	26,121,555	
Treasury shares	6	<b>(15,163,184)</b>	(13,363,430)	(12,806,128)	
Share based payment reserve		<b>144,222</b>	121,722	116,854	
Other reserves		<b>(1,949,308)</b>	(1,888,883)	161,158	
Cumulative changes in fair values		<b>136,244,250</b>	136,378,657	116,232,245	
Foreign currency translation reserve		<b>9,118,832</b>	9,569,569	8,789,853	
Retained earnings		<b>122,296,467</b>	134,054,397	117,698,414	
<b>Equity attributable to shareholders of the Parent Company</b>		<b>422,357,497</b>	436,538,250	392,476,466	
Non-controlling interests		<b>165,802,376</b>	149,812,673	147,166,961	
<b>Total equity</b>		<b>588,159,873</b>	586,350,923	539,643,427	
<b>Total liabilities and equity</b>		<b>799,077,383</b>	731,134,542	684,961,715	

  
 Atallah A.R. Al-Mutairi  
 Board Member

  
 Tanweer Ahmed Khalfay  
 Chief Financial Officer

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)**

For the period ended 30 June 2019

	Notes	<i>Three months ended</i>	
		<i>30 June</i>	
		<i>2019</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>
Revenue from rendering of services		7,604,160	7,022,213
Revenue from sale of goods		43,151,305	37,266,280
<b>Total revenue</b>		<b>50,755,465</b>	<b>44,288,493</b>
Cost of revenue from rendering of services		(4,828,294)	(3,955,513)
Cost of revenue from sale of goods		(29,730,131)	(25,573,631)
<b>Total cost of revenue</b>		<b>(34,558,425)</b>	<b>(29,529,144)</b>
<b>GROSS PROFIT</b>		<b>16,197,040</b>	<b>14,759,349</b>
Dividend income		444,234	411,507
Interest and other income		852,504	1,013,165
Net realized / unrealized (loss) gain on financial assets at fair value through profit or loss		(63,144)	210,302
Share of results from associates and joint venture		3,146,578	3,429,389
General and administrative expenses		(5,535,745)	(5,671,141)
Selling and distribution expenses		(5,735,631)	(4,717,080)
Finance costs		(677,840)	(553,458)
<b>Profit before provision for taxation and board of directors' remuneration</b>		<b>8,627,996</b>	<b>8,882,033</b>
Provision for taxation	7	(160,835)	(163,730)
Board of directors' remuneration		(37,500)	(37,500)
<b>Profit for the period</b>		<b>8,429,661</b>	<b>8,680,803</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		4,775,477	5,193,235
Non-controlling interests		3,654,184	3,487,568
		<b>8,429,661</b>	<b>8,680,803</b>
<b>Basic earnings per share - attributable to shareholders of the Parent Company</b>	8	<b>4.61 fils</b>	<b>5.00 fils</b>
<b>Diluted earnings per share - attributable to shareholders of the Parent Company</b>	8	<b>4.60 fils</b>	<b>4.99 fils</b>

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

For the period ended 30 June 2019

	<i>Three months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>8,429,661</b>	<b>8,680,803</b>
<b>Other comprehensive (loss) income for the period:</b>		
<i>Other comprehensive loss for the period that will not be subsequently reclassified to interim condensed consolidated statement of income:</i>		
Changes in fair value of equity investments at fair value through other comprehensive income	<b>(251,594)</b>	<b>(478,763)</b>
<i>Other comprehensive (loss) income for the period that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>		
Exchange differences arising on translation of foreign operations	<b>(991,483)</b>	<b>1,631,251</b>
Net gain (loss) on hedge of net investment in foreign operation	<b>194,703</b>	<b>(379,458)</b>
<b>Other comprehensive (loss) income for the period</b>	<b>(1,048,374)</b>	<b>773,030</b>
<b>Total comprehensive income for the period</b>	<b>7,381,287</b>	<b>9,453,833</b>
<b>Attributable to:</b>		
Shareholders of the Parent Company	<b>4,192,401</b>	<b>6,081,184</b>
Non-controlling interests	<b>3,188,886</b>	<b>3,372,649</b>
	<b>7,381,287</b>	<b>9,453,833</b>

# Qurain Petrochemical Industries Company K.S.C.P. and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2019

	Equity attributable to shareholders of the Parent Company											
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Share based payment reserve KD	Other reserves KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 April 2019 (audited)	109,919,258	30,934,331	30,812,629	(13,363,430)	121,722	(1,888,883)	136,378,657	9,569,569	134,054,397	436,538,250	149,812,673	586,350,923
Profit for the period	-	-	-	-	-	-	-	-	4,775,477	4,775,477	3,654,184	8,429,661
Other comprehensive loss for the period	-	-	-	-	-	-	(132,339)	(450,737)	-	(583,076)	(465,298)	(1,048,374)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(132,339)	(450,737)	4,775,477	4,192,401	3,188,886	7,381,287
Purchase of treasury shares	-	-	-	(1,799,754)	-	-	-	-	-	(1,799,754)	-	(1,799,754)
Share based payment reserve	-	-	-	-	22,500	-	-	-	-	22,500	-	22,500
Dividends (Note 12)	-	-	-	-	-	-	-	-	(16,535,475)	(16,535,475)	-	(16,535,475)
Non-controlling interests arising on a business combination (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of additional interest in a subsidiary (Note 9)	-	-	-	-	-	-	-	-	-	-	16,762,757	16,762,757
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	(60,425)	-	-	-	(60,425)	(169,575)	(230,000)
Dividends to non-controlling interests	-	-	-	-	-	-	(2,068)	-	2,068	-	-	-
<b>As at 30 June 2019</b>	<b>109,919,258</b>	<b>30,934,331</b>	<b>30,812,629</b>	<b>(15,163,184)</b>	<b>144,222</b>	<b>(1,949,308)</b>	<b>136,244,250</b>	<b>9,118,832</b>	<b>122,296,467</b>	<b>422,357,497</b>	<b>165,802,376</b>	<b>588,159,873</b>
As at 1 April 2018 (audited)	109,919,258	26,243,257	26,121,555	(12,657,395)	92,701	283,822	116,576,760	7,557,389	112,505,179	386,642,526	146,956,614	533,599,140
Profit for the period	-	-	-	-	-	-	-	-	5,193,235	5,193,235	3,487,568	8,680,803
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(344,515)	1,232,464	-	887,949	(114,919)	773,030
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(344,515)	1,232,464	5,193,235	6,081,184	3,372,649	9,453,833
Purchase of treasury shares	-	-	-	(148,733)	24,153	-	-	-	-	(148,733)	-	(148,733)
Share based payment reserve	-	-	-	-	-	-	-	-	-	24,153	-	24,153
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(88,762)	-	-	-	(88,762)	-	(88,762)
Other movements	-	-	-	-	-	(33,902)	-	-	-	(33,902)	-	(33,902)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,162,302)	(3,162,302)
<b>As at 30 June 2018</b>	<b>109,919,258</b>	<b>26,243,257</b>	<b>26,121,555</b>	<b>(12,806,128)</b>	<b>116,854</b>	<b>161,158</b>	<b>116,232,245</b>	<b>8,789,853</b>	<b>117,698,414</b>	<b>392,476,466</b>	<b>147,166,961</b>	<b>539,643,427</b>

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.



**Qurain Petrochemical Industries Company K.S.C.P. and Subsidiaries**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

For the period ended 30 June 2019

	Notes	<i>Three months ended</i>	
		<i>30 June</i>	
		<i>2019</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation and Board of Directors' remuneration		8,627,996	8,882,033
<i>Adjustments for:</i>			
Depreciation and amortization		3,838,416	3,349,859
Finance cost on lease liabilities		61,338	-
Unwinding expense on non-controlling interest put option		108,913	-
Unwinding expense on contingent consideration payable		2,435	-
Realized (gain) loss on sale of financial assets at fair value through profit or loss		(19,207)	4,182
Unrealized loss (gain) on financial assets at fair value through profit or loss		82,351	(214,484)
Share of results of associates		(3,146,578)	(3,429,389)
Gain on sale of property, plant and equipment		(2,691)	(41,826)
Charge for expected credit losses on trade receivables		73,859	30,382
Provision for employees' end of service benefits		547,116	543,515
Share based payment reserve		22,500	24,153
Finance costs		677,840	553,458
		<u>10,874,288</u>	<u>9,701,883</u>
<i>Working capital adjustments:</i>			
Trade and other receivables		(2,235,524)	2,210,567
Due from a related party		190,632	-
Inventories		(2,185,571)	2,168,092
Trade and other payables		(335,447)	2,726,648
Cash from operations		6,308,378	16,807,190
Employees' end of service benefits paid		(336,390)	(461,055)
Directors fee paid		(150,000)	(150,000)
Dividends received from associates		-	6,005,088
Net cash flows from operating activities		<u>5,821,988</u>	<u>22,201,223</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets at fair value through other comprehensive income		-	(80,672)
Purchase of financial assets at fair value through profit or loss		(171,190)	-
Proceeds from sale of financial assets at fair value through profit or loss		66,979	2,532,569
Net movement from time deposit		(1,600,000)	(400,000)
Proceeds from sale of financial assets at fair value through other comprehensive income		10,321	-
Purchase of property, plant and equipment		(2,246,533)	(5,262,043)
Sale proceeds from disposal of property, plant and equipment		202,946	44,239
Acquisition of a subsidiary, net of cash acquired	15	1,336,538	-
Acquisition of additional interest in a subsidiary		(115,000)	(178,686)
Net cash flows used in investing activities		<u>(2,515,939)</u>	<u>(3,344,593)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(7,560,093)	(640,727)
Proceeds from borrowings		-	21,021,383
Payment of borrowings		(92,731)	(20,730,597)
Purchase of treasury shares		(1,799,754)	(218,133)
Payment of finance costs		(677,840)	(553,458)
Dividend paid to non-controlling interest of subsidiaries		(291,601)	(387,430)
Principal element of lease payments		(429,757)	-
Net cash flows used in financing activities		<u>(10,851,776)</u>	<u>(1,508,962)</u>
Effect of foreign currency translation		(167,428)	(1,016,559)
<b>Net (decrease) increase in bank balances and cash</b>		<b>(7,713,155)</b>	<b>16,331,109</b>
Bank balances and cash at 1 April		102,611,455	78,805,351
<b>Bank balances and cash at 30 June</b>	4	<u><u>94,898,300</u></u>	<u><u>95,136,460</u></u>

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**1 GENERAL INFORMATION**

Qurain Petrochemical Industries Company K.S.C.P. (the "Parent Company") is a Kuwaiti Public shareholding company established by Amiri Decree No 332/2004 on 10 November 2004. The Parent Company's shares were issued for public subscription by the Ministerial Decree No. 347/2004 on 28 November 2004. The Parent Company's shares are listed on the Kuwait Stock Exchange.

The Parent Company's objectives are as follows:

- To manufacture all types of chemical and petrochemical materials and any other derivatives.
- To sell, purchase, supply, distribute, export and store these materials and participate in all the activities relating to the same including the establishment and lease of the necessary services.
- To participate in Equate Petrochemical Company K.S.C. (Closed), Kuwait Aromatics Company K.S.C. (Closed), Kuwait Styrene Company K.S.C. (Closed) and Kuwait Olefins Company K.S.C. (Closed).
- To contribute in industrial companies as well as finance, manage and trade in its shares.
- To develop industrial and craft zones and projects launched by the State or private sector.
- To establish industrial projects or contribute therein after obtaining the necessary approvals from the Public Authority for Industry and the concerned authorities.

The Parent Company may pursue the above mentioned activities in the State of Kuwait and abroad, originally or by proxy. It may have an interest in or participate in any manner with entities that carry on business activities similar to its own or which may assist the Parent Company in realising its objectives in Kuwait or abroad, and it may buy or otherwise acquire such companies.

The address of the Parent Company's registered office and principal place of business is: 26th Floor, KIPCO Tower, Khalid Bin Al Waleed Street, Sharq, P.O. Box No 29299, Safat 13153, State of Kuwait.

The interim condensed consolidated financial information of the Parent Company and subsidiaries (collectively the "Group") for the three months period ended 30 June 2019 was authorised for issue in accordance with a resolution of the Board of Directors on 25 July 2019.

**2 BASIS OF PREPARATION**

The 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 contain all information and disclosures required for full consolidated 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 for the year ended 31 March 2019. In the opinion of the Parent Company's 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 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 March 2020. The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is also the functional currency of the Parent Company.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 March 2019, except for the changes described below arising from the adoption of IFRS 16 'Leases' from 1 April 2019. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

**2.1 CHANGES IN ACCOUNTING POLICIES**

**Impact of changes in accounting policies due to adoption of new standards**

**IFRS 16 Leases**

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.



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

As at and for the period ended 30 June 2019

**2.1 CHANGES IN ACCOUNTING POLICIES (continued)**

**Impact of changes in accounting policies due to adoption of new standards (continued)**

**IFRS 16 Leases (continued)**

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.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 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 effect of adoption IFRS 16 as at 1 April 2019 on the interim condensed consolidated statement of financial position is as follows:

	<i>KD</i>
<b>ASSETS</b>	
Right of use assets	<u>6,153,466</u>
<b>LIABILITIES</b>	
Lease liabilities (included in trade and other payables)	<u>5,877,819</u>

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 April 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 April 2019 ranges between 4.29% to 6%.

The associated right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the interim condensed consolidated statement of financial position as at 1 April 2019. There were no onerous lease contracts that would have required an adjustment to the right of use assets at 1 April 2019 (date of initial application).

There is no net impact on retained earnings on 1 April 2019 as a consequence of change in accounting policy.

	<i>Three months ended 30 June 2019 KD</i>
Depreciation on right of use assets (included in general and administrative expenses)	346,412
Finance cost on lease liabilities (included in general and administrative expenses)	61,338
<b>Total amounts recognised in interim condensed consolidated statement of income</b>	<u><u>407,750</u></u>

As a result of adoption of IFRS 16, rent related expenses are lower, and depreciation and finance cost are higher to the extent of KD 407,750 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**2.1 CHANGES IN ACCOUNTING POLICIES (continued)**

**Impact of changes in accounting policies due to adoption of new standards (continued)**

**IFRS 16 Leases (continued)**

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

The Group has lease contracts for buildings, vehicles and other 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 profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Trade and other receivables and Trade and other payables, 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 April 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.

**b) Summary of new accounting policies**

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

*Right of use assets*

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

2.1 CHANGES IN ACCOUNTING POLICIES (continued)

Impact of changes in accounting policies due to adoption of new standards (continued)

IFRS 16 Leases (continued)

b) Summary of new accounting policies (continued)

Lease liabilities (continued)

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.

3 ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019 except as mentioned below.

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.

4 BANK BALANCES AND CASH

	30 June 2019 KD	(Audited) 31 March 2019 KD	30 June 2018 KD
Cash in hand	864,926	1,116,131	1,156,352
Cash at banks	47,602,345	16,896,012	44,458,742
Cash in portfolios	897,940	341,189	673,268
Short term deposits	58,803,389	95,928,423	53,518,398
	<u>108,168,600</u>	<u>114,281,755</u>	<u>99,806,760</u>
Less: Short term deposits with original maturities of more than three months	(13,270,300)	(11,670,300)	(4,670,300)
<b>Bank balances and cash for the purpose of interim condensed consolidated statement of cash flows</b>	<u><b>94,898,300</b></u>	<u><b>102,611,455</b></u>	<u><b>95,136,460</b></u>

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 KD	(Audited) 31 March 2019 KD	30 June 2018 KD
Quoted equity securities	9,789,308	9,791,312	7,784,161
Unquoted equity securities	213,544,574	213,531,563	194,229,572
	<u><b>223,333,882</b></u>	<u><b>223,322,875</b></u>	<u><b>202,013,733</b></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**6 TREASURY SHARES**

	<b>30 June 2019 KD</b>	<i>(Audited)</i>	
		<b>31 March 2019 KD</b>	<b>30 June 2018 KD</b>
Number of treasury shares	<b>65,807,853</b>	61,356,004	60,555,175
Percentage of issued shares	<b>5.99%</b>	5.58%	5.51%
Cost of treasury shares (KD)	<b>15,163,184</b>	13,363,430	12,806,128
Market value of treasury shares (KD)	<b>22,901,133</b>	24,112,910	20,407,094

An amount equivalent to the cost of purchase of treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of treasury shares.

**7 PROVISION FOR TAXATION**

	<i>Three months ended 30 June</i>	
	<b>2019 KD</b>	<b>2018 KD</b>
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")	<b>5,222</b>	3,339
National Labour Support Tax ("NLST")	<b>137,797</b>	135,841
Zakat	<b>17,816</b>	24,550
	<b>160,835</b>	163,730

**8 BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share is computed by dividing the profit for the period attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding less treasury shares for the period as follows:

	<i>Three months ended 30 June</i>	
	<b>2019 KD</b>	<b>2018 KD</b>
Profit for the period attributable to the shareholders of the Parent Company	<b>4,775,477</b>	5,193,235
	<b>Shares</b>	<b>Shares</b>
Weighted average number of shares outstanding	<b>1,099,192,576</b>	1,099,192,576
Weighted average number of treasury shares	<b>(63,562,190)</b>	(60,312,879)
Weighted average number of shares for basic earnings per share	<b>1,035,630,386</b>	1,038,879,697
Basic earnings per share attributable to the shareholders of the Parent Company	<b>4.61 fils</b>	5.00 fils

***Diluted***

Diluted earnings per share is calculated by dividing the profit for the period attributable to the equity holders of the Parent Company adjusted for the effect of dilutive instruments in profit due to exercise of potential ordinary shares of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employee stock options. The Parent Company has outstanding share options, issued under the Employee Stock Options Plan (ESOP), which have a dilutive effect on earnings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**8 BASIC AND DILUTED EARNINGS PER SHARE (continued)**

	<i>Three months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Profit for the period attributable to the shareholders of the Parent Company	<b>4,775,477</b>	5,193,235
	<i>Shares</i>	<i>Shares</i>
<i>Number of shares outstanding:</i>		
Weighted average number of shares outstanding	<b>1,035,630,386</b>	1,038,879,697
Effect of share options on issue	<b>1,753,421</b>	1,905,787
	<b>1,037,383,807</b>	1,040,785,484
Diluted earnings per share attributable to the shareholders of the Parent Company	<b>4.60 fils</b>	4.99 fils

**9 RELATED PARTY BALANCES AND TRANSACTIONS**

Related parties primarily comprise major shareholders, associates, directors, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Group entities have been eliminated on consolidation and are not disclosed in this note.

Transactions with related parties included in the consolidated financial statements are as follows:

	<i>Others</i>	<i>(Audited)</i>	
		<i>30 June</i>	<i>31 March</i>
	<i>KD</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Consolidated statement of financial position:</i>			
Trade and other receivables	554,367	<b>554,367</b>	547,843
Financial assets at fair value through other comprehensive income	9,472,126	<b>9,472,126</b>	9,612,136
Due from a related party	-	-	1,250,000
	<i>Others</i>	<i>(Audited)</i>	
		<i>30 June</i>	<i>31 March</i>
	<i>KD</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Consolidated statement of income:</i>			
Interest and other income	106,517	<b>106,517</b>	248,288
Dividend income	377,516	<b>377,516</b>	238,919
Portfolio management fee	34,075	<b>34,075</b>	114,486
			25,986

The amount due from a related party is interest free and receivable on demand. Certain financial assets of the Group are managed by a related party in a fiduciary capacity.

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the period were as follows:

	<i>Three months ended</i>	
	<i>30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	<b>678,905</b>	635,143
Employees' end of service benefits	<b>131,588</b>	109,309
	<b>810,493</b>	744,452

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

As at and for the period ended 30 June 2019

**9 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

During the period the Group purchased 60% controlling interest in Jassim Transport & Stevedoring Company K.S.C. (Closed) from the shareholders of an entity under common control for a total consideration of KD 42,031,300. As at the reporting date the consideration is payable which is included in current trade and other payables in the interim condensed consolidated statement of financial position (Note 15).

During the period one of the Group's subsidiary Inshaa Holding Company K.S.C. (Closed) acquired additional 3.8% interest in one of its subsidiary for a total consideration of KD 230,000 from a shareholder of that subsidiary. This resulted in decrease in non-controlling interest by KD 169,575 and a loss of KD 60,425 that was recorded in other reserve in the interim condensed consolidated statement of changes in equity. As at the reporting date 50% of the consideration amounting to KD 115,000 has been paid and the balance is payable after 3 years which is included in non-current trade and other payables in the interim condensed consolidated statement of financial position.

**10 HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS**

Term loans amounting to US Dollar 205,000,000 (31 March 2019: US Dollar 205,000,000 and 30 June 2018: US Dollar 205,000,000) have been designated as a hedge of the net investment in the Group's subsidiary, Saudi Dairy and Food Stuff Company S.S.C. (SADAFCO). This borrowing is being used to hedge the Group's exposure to the US Dollar ("USD") foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing are transferred to interim condensed consolidated statement of comprehensive income to offset any gains or losses from translation of net investment in the subsidiary. There is no significant ineffectiveness noted during the period ended 30 June 2019.

**11 CONTINGENT LIABILITIES AND COMMITMENTS**

As at 30 June 2019, the Group has a contingent liability amounting to KD 18,205,314 (31 March 2019: KD 10,309,630 and 30 June 2018: KD 6,377,871) in connection with certain guarantees and credit facilities availed from which the management is not expecting any material liabilities to arise. At 30 June 2019, the Group has outstanding commitments for future capital expenditure amounting to KD 7,921,409 (31 March 2019: KD 2,841,219 and 30 June 2018: KD 10,625,038).

**12 ANNUAL GENERAL ASSEMBLY MEETING**

The Annual General Assembly meeting of shareholders held on 30 May 2019 approved the audited consolidated financial statements of the Group for the year ended 31 March 2019 and approved a cash dividend of 16 fils (31 March 2018: 14 fils) per share amounting to KD 16,535,475 (31 March 2018: KD 14,542,078).

**13 SEGMENT REPORTING**

For management reporting purposes, the Group is organized into four major operating segments based on internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is the person responsible for allocating resources to and assessing the performance of the operating segments has been identified as the Parent Company's board of directors. The Group does not have material inter-segment transactions.

The principal activities and services under these segments are as follows:

Investments	: Investments are mainly for the long term and are in the petrochemical sector.
Manufacturing	: Mainly manufacture and supply of chemicals for fiberglass, paint and petrochemical industries and general use.
Foodstuff	: Mainly manufacture and supply of dairy and foodstuff.
Services	: Mainly oil field services that comprise of cementing and stimulation formulations for different applications and operating environments for Oil Rigs; and non-oil field services comprising of health, safety, environmental, engineering and consultancy services.

Management monitors operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental return on investments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

13 SEGMENT REPORTING (continued)

The following table presents information regarding the Group's operating segments:

	<i>Three months ended 30 June 2019</i>				
	<i>Investments KD</i>	<i>Manufacturing KD</i>	<i>Foodstuff KD</i>	<i>Services KD</i>	<i>Total KD</i>
Segment revenue	3,199,672	4,514,065	39,716,324	7,728,258	55,158,319
Segment expenses	(2,855,808)	(3,297,317)	(35,016,478)	(5,360,720)	(46,530,323)
Unallocated expenses	-	-	-	-	(198,335)
Total expenses	(2,855,808)	(3,297,317)	(35,016,478)	(5,360,720)	(46,728,658)
Segment profit for the period	343,864	1,216,748	4,699,846	2,367,538	8,429,661
Segment assets	354,202,031	47,813,937	290,225,263	106,836,152	799,077,383
Segment liabilities	133,328,949	7,909,523	51,601,014	18,078,024	210,917,510

	<i>31 March 2019 (Audited)</i>				
	<i>Investments KD</i>	<i>Manufacturing KD</i>	<i>Foodstuff KD</i>	<i>Services KD</i>	<i>Total KD</i>
Segment assets	335,667,850	54,818,063	280,373,443	60,275,186	731,134,542
Segment liabilities	82,954,050	8,240,002	45,344,730	8,244,837	144,783,619

	<i>Three months ended 30 June 2018</i>				
	<i>Investments KD</i>	<i>Manufacturing KD</i>	<i>Foodstuff KD</i>	<i>Services KD</i>	<i>Total KD</i>
Segment revenue	5,014,491	4,210,851	33,055,429	7,022,213	49,302,984
Segment expenses	(2,753,403)	(3,433,885)	(29,331,474)	(4,902,189)	(40,420,951)
Unallocated expenses	-	-	-	-	(201,230)
Total expenses	(2,753,403)	(3,433,885)	(29,331,474)	(4,902,189)	(40,622,181)
Segment profit for the period	2,261,088	776,966	3,723,955	2,120,024	8,680,803
Segment assets	466,344,763	10,857,151	167,980,534	39,779,267	684,961,715
Segment liabilities	91,363,716	1,252,854	37,381,958	15,319,759	145,318,288

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of other financial instruments, are not materially different from their carrying values.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate.

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total fair value KD</i>
<b>30 June 2019</b>			
<i>Financial assets at fair value through other comprehensive income:</i>			
Quoted equity securities	9,789,308	-	9,789,308
Unquoted equity securities	-	213,544,574	213,544,574
	<u>9,789,308</u>	<u>213,544,574</u>	<u>223,333,882</u>
<i>Financial assets at fair value through profit or loss:</i>			
Quoted equity securities	2,365,118	-	2,365,118
Funds and managed portfolios	-	2,199,092	2,199,092
Debt securities	3,282,322	-	3,282,322
	<u>5,647,440</u>	<u>2,199,092</u>	<u>7,846,532</u>
<b>31 March 2019 (Audited)</b>			
<i>Financial assets at fair value through other comprehensive income:</i>			
Quoted equity securities	9,791,312	-	9,791,312
Unquoted equity securities	-	213,531,563	213,531,563
	<u>9,791,312</u>	<u>213,531,563</u>	<u>223,322,875</u>
<i>Financial assets at fair value through profit or loss:</i>			
Quoted equity securities	2,307,629	-	2,307,629
Funds and managed portfolios	-	2,195,922	2,195,922
Debt securities	3,301,915	-	3,301,915
	<u>5,609,544</u>	<u>2,195,922</u>	<u>7,805,466</u>



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

30 June 2018	Level 1 KD	Level 3 KD	Total fair value KD
<i>Financial assets at fair value through other comprehensive income:</i>			
Quoted equity securities	7,784,161	-	7,784,161
Unquoted equity securities	-	194,229,572	194,229,572
	<u>7,784,161</u>	<u>194,229,572</u>	<u>202,013,733</u>
<i>Financial assets at fair value through profit or loss:</i>			
Quoted equity securities	2,595,930	-	2,595,930
Fund and managed portfolios	-	2,211,585	2,211,585
Debt securities	-	2,474,256	2,474,256
	<u>2,595,930</u>	<u>4,685,841</u>	<u>7,281,771</u>

During the three months period ended 30 June 2019, there were no transfers between the hierarchies.

The movement during the period in fair value of level 3 financial assets is immaterial.

15 BUSINESS COMBINATION

On 17 June 2019 (date of acquisition) pursuant to a sale purchase agreement (SPA), the Group acquired 60% equity interest in Jassim Transport & Stevedoring Company K.S.C. (Closed) ("JTC"); a Company incorporated in Kuwait from third parties. The Group purchased 90,000,000 unquoted shares for a total consideration of KD 42,031,300 (KD 0.467 per share). The SPA was signed and shares were transferred before 30 June 2019 and the purchase consideration was paid to the sellers subsequent to the reporting date on 9 July 2019 after the fulfillment of certain administrative requirements. Accordingly, the Parent Company was able to control JTC from date of acquisition.

The acquisition of JTC has been accounted based on provisional fair values of identifiable assets and liabilities on the acquisition date and the management is in the process of determining the fair values of assets and liabilities acquired. The consideration payable, the provisional fair values of the assets and liabilities recognised at the date of acquisition and the non-controlling interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets are summarised as follows:

Assets	KD
Cash and cash equivalents	1,336,538
Inventories	498,874
Trade and other receivables	7,214,992
Financial assets at fair value through other comprehensive income	139,800
Property, plant and equipment	38,994,709
	<u>48,184,913</u>
<b>Liabilities</b>	
Employees' end of service benefits	1,602,904
Trade and other payables	4,676,235
	<u>6,279,139</u>
Identifiable net assets	41,905,774
Non-controlling interest	(16,762,757)
Provisional fair value of net assets acquired	<u>25,143,017</u>
Consideration payable in cash	<u>42,031,300</u>
Goodwill	<u>16,888,283</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2019

**15 BUSINESS COMBINATION (continued)**

Cash and cash equivalents in subsidiary acquired	1,336,538
Consideration paid in cash	-
Net cash inflow on acquisition	<u>1,336,538</u>

The interim condensed consolidated statement of income of the Group for the period includes profit attributable to the equity holders of the Parent Company amounting to KD Nil of JTC.

Had the acquisition of JTC taken place at the beginning of the period, the revenue of the Group for the year would have been higher by KD 2,626,817 amounting to a total of KD 53,382,282 and the profit attributable to the equity holders of the Parent Company would have been higher by KD 1,142,279 amounting to a total of KD 5,917,756.