



شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Kuwait Cement Company K.P.S.C.
and its subsidiaries
State of Kuwait

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



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Contents	Page
Review report	1
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	2
Interim Condensed Consolidated Statement of Income (Unaudited)	3
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)	4
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	5
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	6
Notes to Interim Condensed Consolidated Financial Information (Unaudited)	7-18



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Kuwait Cement Company K.P.S.C.
State of Kuwait

Independent auditors' review report to the board of directors

Report on interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Cement Company K.P.S.C. ("The Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 March 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 Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards (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

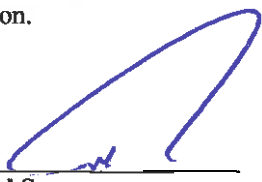
We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons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

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of accounts of the Parent Company. We further report that nothing have come to our attention indicating any contravention during the three months period ended 31 March 2019, of the Commercial Companies' Law No. 1 of 2016 and its executive regulations, as amended or the Parent Company's memorandum of incorporation and articles of association, as amended, which might have materially affected the Group's activities or its consolidated financial position.


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Kuwait: 14 May 2019

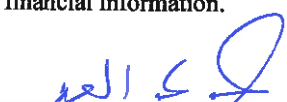
Interim Condensed Consolidated Statement of Financial Position
As at 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	31 March 2019	31 December 2018 (audited)	31 March 2018
Assets				
Non-current assets				
Property, plant and equipment	3	155,633,954	156,936,158	158,854,680
Intangible assets		59,971	69,469	100,396
Investment properties		770,641	770,641	788,654
Investments in associates	4	15,811,267	16,258,955	16,667,839
Financial assets at fair value through other comprehensive income	5	74,280,753	66,317,694	64,221,161
Right of use assets	2.2	4,881,660	-	-
		<u>251,438,246</u>	<u>240,352,917</u>	<u>240,632,730</u>
Current assets				
Inventories	6	17,436,154	18,748,755	17,879,038
Accounts receivable and other debit balances	7	35,562,621	33,401,007	33,998,416
Cash and cash equivalents	8	9,766,950	9,408,848	19,716,306
		<u>62,765,725</u>	<u>61,558,610</u>	<u>71,593,760</u>
Total assets		<u>314,203,971</u>	<u>301,911,527</u>	<u>312,226,490</u>
Equity and liabilities				
Equity				
Share capital	9	73,330,387	73,330,387	73,330,387
Share premium		26,675,810	26,675,810	26,675,810
Treasury shares	10	(13,546,935)	(13,528,077)	(13,521,612)
Profits on sale of treasury shares		441,409	441,409	444,678
Statutory reserve		47,856,817	47,856,817	47,010,835
Voluntary reserve		42,048,346	42,048,346	42,048,346
General reserve		18,930,128	18,930,128	18,930,128
Other equity items		(17,346,094)	(24,949,961)	(25,969,368)
Group's share in associates' reserves		(169,518)	225,187	(193,881)
Group's share in foreign currency exchange reserve		95,293	95,329	93,666
Retained earnings		23,768,451	21,887,300	32,121,248
Equity attributable to shareholders of the Parent Company		<u>202,084,094</u>	<u>193,012,675</u>	<u>200,970,237</u>
Non-controlling interests		153,224	145,358	144,722
Total equity		<u>202,237,318</u>	<u>193,158,033</u>	<u>201,114,959</u>
Liabilities				
Non-current liabilities				
Loans, bank facilities and murabaha	11	57,689,732	58,691,779	58,859,216
Provision for employees end of services benefits		3,435,217	3,317,960	2,866,303
Lease liability	2.2	4,251,412	-	-
		<u>65,376,361</u>	<u>62,009,739</u>	<u>61,725,519</u>
Current liabilities				
Loans, bank facilities and murabaha	11	17,732,917	18,622,926	20,086,516
Accounts payable and other credit balances	12	28,620,448	28,120,829	29,299,496
Lease liability	2.2	236,927	-	-
		<u>46,590,292</u>	<u>46,743,755</u>	<u>49,386,012</u>
Total Liabilities		<u>111,966,653</u>	<u>108,753,494</u>	<u>111,111,531</u>
Total equity and liabilities		<u>314,203,971</u>	<u>301,911,527</u>	<u>312,226,490</u>

The accompanying notes are an integral part of this interim condensed consolidated financial information.


Rashed Abdulaziz Al-Rashed
Chairman


Dr. Abdulaziz Rashed Al-Rashed
Vice Chairman

Interim Condensed Consolidated Statement of Income
For the three months ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2019	2018
Sales		26,645,117	25,750,341
Cost of sales	13	(23,159,295)	(20,602,949)
Gross profit		3,485,822	5,147,392
Other operating income	14	114,704	75,885
Selling, general and administrative expenses		(1,123,425)	(1,399,348)
Operating profit		2,477,101	3,823,929
Provision for expected credit losses		(63,009)	(235,350)
Finance charges		(769,777)	(535,209)
Interest income		1,091	14,511
Net investments (losses) / profits	15	(19,330)	68,216
Group's share of business results from associates	4	(81,292)	30,541
Net profit before deductions		1,544,784	3,166,638
Contribution to Kuwait Foundation for the Advancement of Sciences		(14,931)	(29,077)
National Labour Support Tax		(33,827)	(83,598)
Zakat		(14,431)	(33,134)
Board of directors' remuneration		(52,000)	(52,000)
Net profit for the period		1,429,595	2,968,829
Attributable to:			
Shareholders of the Parent Company		1,429,891	2,967,727
Non-controlling interests		(296)	1,102
Net profit for the period		1,429,595	2,968,829
Basic and diluted earnings per share (fils)	16	2.01	4.16

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income
For the three months ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2019	2018
Net profit for the period		1,429,595	2,968,829
Other comprehensive income items:			
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>			
Investments in associates:			
Group's share in associates' reserves	4	(394,705)	9,231
Differences of translation of financial statements with foreign currency:			
Group's share in foreign currency exchange reserve		(36)	(36)
<i>Items that will not be reclassified subsequently in the interim condensed consolidated statement of income:</i>			
Financial assets at fair value through other comprehensive income:			
Change in fair value of financial assets at fair value through other comprehensive income		7,611,854	941,623
		7,611,854	941,623
Total other comprehensive income items for the period		7,217,113	950,818
Total comprehensive income for the period		8,646,708	3,919,647
Attributable to:			
Shareholders of the Parent Company		8,638,222	3,918,663
Non-controlling interests		8,486	984
		8,646,708	3,919,647

The accompanying notes are an integral part of this interim condensed consolidated financial information.



Interim Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2019 (Unaudited)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Treasury shares sale of treasury shares	Statutory reserve	Voluntary reserve	General reserve	Other equity items	Group's share in associates' reserves	Group's share in foreign currency exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017 ("as previously stated")	73,330,387	26,675,810	(13,497,645)	445,592	47,010,835	42,048,346	18,930,128	(25,995,463)	(203,112)	93,702	28,437,008	197,275,588	144,473	197,420,061
Impact of adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	(599,800)	-	-	400,667	(199,133)	(311)	(199,444)
Balance at 1 January 2018 ("restated")	73,330,387	26,675,810	(13,497,645)	445,592	47,010,835	42,048,346	18,930,128	(26,595,263)	(203,112)	93,702	28,837,675	197,076,455	144,162	197,220,617
Net profit for the period	-	-	-	-	-	-	-	-	-	-	2,967,727	2,967,727	1,102	2,968,829
Total other comprehensive income/(loss) items	-	-	-	-	-	-	-	625,895	9,231	(36)	315,846	950,936	(118)	950,818
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(424)	(424)
Purchase of treasury shares	-	-	(26,891)	-	-	-	-	-	-	-	-	(26,891)	-	(26,891)
Disposal of treasury shares	-	-	2,924	(914)	-	-	-	-	-	-	-	2,010	-	2,010
Balance at 31 March 2018	73,330,387	26,675,810	(13,521,612)	444,678	47,010,835	42,048,346	18,930,128	(25,969,368)	(193,881)	93,666	32,121,248	200,970,237	144,722	201,114,959
Balance at 1 January 2019	73,330,387	26,675,810	(13,528,077)	441,409	47,856,817	42,048,346	18,930,128	(24,949,961)	225,187	95,329	21,887,300	193,012,675	145,358	193,158,033
Net profit for the period	-	-	-	-	-	-	-	-	-	-	1,429,891	1,429,891	(296)	1,429,595
Total other comprehensive income / (loss) items for the period	-	-	-	-	-	-	-	7,603,867	(394,705)	(36)	451,260	7,660,386	8,190	7,668,576
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
Purchase of treasury shares	-	-	(18,858)	-	-	-	-	-	-	-	-	(18,858)	-	(18,858)
Balance at 31 March 2019	73,330,387	26,675,810	(13,546,935)	441,409	47,856,817	42,048,346	18,930,128	(17,346,094)	(169,518)	95,293	23,768,451	202,084,094	153,224	202,237,318

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2019	2018
Cash flows from operating activities			
Net profit for the period		1,429,595	2,968,829
Adjustments:			
Depreciation and amortization		2,310,923	2,313,560
Provision for expected credit losses	7	63,009	235,350
Gains of disposal of property, plant and equipment		(49,065)	-
Net investment profits	15	(3,431)	(94,020)
Finance charges		769,777	535,209
Interest income		(1,091)	(14,511)
Group's share of business results from associates	4	81,292	(30,541)
Provision for employees end of services benefits		117,257	89,041
Net operating profit before working capital changes		4,718,266	6,002,917
Inventories		1,312,601	(299,689)
Accounts receivable and other debit balances		(2,373,647)	809,307
Accounts payable and other credit balances		513,374	1,178,338
Lease liability		(393,321)	-
Net cash generated from operating activities		3,777,273	7,690,873
Cash flows from investing activities			
Paid for the acquisition of property, plant and equipment	3	(974,294)	(1,029,429)
Proceeds from sale of property, plant and equipment		130,000	1,578
Paid for purchase of financial assets at fair value through other comprehensive income		(1,172,277)	(387,883)
Proceeds on sale of financial assets at fair value through other comprehensive income		1,244,226	959,002
Dividends received		3,431	94,020
Interest income received		1,091	14,511
Net cash used in investment activities		(767,823)	(348,201)
Cash flows from financing activities			
Withdrawn from loans, bank facilities and murabaha		-	2,000,000
Paid for bank loans, facilities and murabaha		(1,892,056)	(490,000)
Finance charges paid		(712,719)	(517,949)
Dividend payments		(27,687)	(6,729)
Net change in non-controlling interests		(28)	(424)
Paid for purchase of treasury shares		(18,858)	(26,891)
Proceed from sale of treasury shares		-	2,010
Net cash (used in) / generated from financing activities		(2,651,348)	960,017
Net increase in cash and cash equivalents		358,102	8,302,689
Cash and cash equivalents at beginning of the period		9,408,848	11,413,617
Cash and cash equivalents at the end of the period	8	9,766,950	19,716,306

The accompanying notes are an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

1. Incorporation and activities

Kuwait Cement Company K.P.S.C. "the Parent Company" is a Kuwaiti Shareholding Company incorporated as per the Amiri Decree issued on 5 November 1968. The Parent Company's shares were listed on Kuwait Stock Exchange on 29 September 1984.

The Company's objectives are as follows:

1. Establishing a project for the production of ordinary cement, sulphate resisting portland cement and portland cement for industrial purposes and all kinds of cement at large.
2. Producing clinker material in all its different types, selling and exporting inside or outside the State of Kuwait.
3. Construction of factories and laboratories needed for achieving the Parent Company's objectives.
4. Dealing in all types of products, materials, tools and machinery relating to the Parent Company's activity and transferring them locally or abroad and importing and selling of aggregates inside or outside the State of Kuwait.
5. The Parent Company may have interests or participate in any suitable way with entities or companies conducting similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may as well acquire such entities or affiliate them, and participate in incorporation of real estate companies.
6. Utilize the financial surpluses available with the Parent Company by investing the same locally and internationally in financial and real estate portfolios with different types and purposes.
7. Investing the Company's funds by participating in incorporation of companies of all types and with different purposes and in investment funds, inside and outside the State of Kuwait.

The Parent Company's headquarters is located at Sharq, Al Sawaber area, Shuhada Street, Cement House, P.O. Box 20581, Safat 13066, State of Kuwait.

The condensed consolidated interim financial information includes the financial statements of the Parent Company and its subsidiaries (together referred to as "the Group").

Name of the Company	Legal entity	Principal activity	Country of Incorporation	Percentage of ownership (%)		
				31 March 2019	31 December 2018	31 March 2018
Shuwaikh Cement Company	K.S.C.C.	Industrial	State of Kuwait	99.250	99.250	99.250
Amwaj Real Estate Company	K.S.C.C.	Real Estate	State of Kuwait	96.000	96.000	96.000
Kuwait Cement Ready-mix Company	K.S.C.C.	Industrial	State of Kuwait	99.844	99.844	99.844

The financial information prepared by the subsidiary's management was used to prepare condensed consolidated interim financial information for the three months period ended 31 March 2019. The total assets of subsidiaries amounted to KD 44,552,438 as at 31 March 2019 (31 December 2018: KD 42,020,075 and 31 March 2018: 39,576,845) and net losses amounted to KD 96,436 for the three months period ended 31 March 2019 (For the three months period ended 31 March 2018: profits amounted to KD 176,359).

The accompanying interim condensed consolidated financial information was authorized for issue by Parent Company's board of directors on 14 May 2019.

Notes to the Interim Condensed Consolidated Financial Information

For the three months ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

2. Significant accounting policies

2.1 Basis of preparation

The interim condensed consolidated financial information is prepared in accordance with IAS (34) "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

In the opinion of the management all adjustments (including recurring accruals) have been included in the interim condensed consolidated financial information. The operating results for the three month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. For further information, refer to the consolidated financial statements and notes thereto for the year ended 31 December 2018.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the financial year ended 31 December 2018 except for the adoption of certain number of new and amended IFRSs that have become effective and applicable to the Group. It is the first interim condensed consolidated financial statements of the Group, in which IFRS 15 and IFRS 9 are adopted. Changes in significant accounting policies are as follows:

Use of judgements and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgments 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 December 2018.

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim condensed consolidated financial information are the same as those applied in the Group's financial statements for the year ended 31 December 2018.

The changes in accounting policies are also expected to be reflected in the Group's financial statements for the year ending 31 December 2019.

- Amendments to IFRS 9: Benefits of advance payment with negative compensation
- Amendments to IAS 28: Long-term Investments in Associates and Joint Ventures.

Notes to the Interim Condensed Consolidated Financial Information

For the three months ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

• Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 2017) on the following:

- IFRS 3 - Business combinations
- IFRS 11 - Joint arrangements
- IAS 23 - Borrowing Costs

The amendments do not have significant impact on the Group's interim condensed consolidated financial information.

• IFRS 16 - Leases

The Group has initially adopted IFRS 16 "Leases" as of 1 January 2019. A number of other new amendments are effective from 1 January 2019 but they do not have a material effect on the Group's interim condensed consolidated financial information.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019:

	<u>1 January 2019</u>
Assets	
Right of use	<u>4,987,252</u>
Liabilities	
Lease liability	<u>4,987,252</u>

No impact on retained earnings as at 1 January 2019.

Notes to the Interim Condensed Consolidated Financial Information

For the three months ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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.

i. Leases previously accounted for as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. At 1 January 2019, the Group didn't have any finance leases.

ii. Leases previously accounted for as operating leases

The Group recognized 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 were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

2.2 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 recognizes 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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.

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Set out below, are the carrying amounts of the Group's right-of-use assets and the movements during the period:

	Right-of-use assets
As at 1 January 2019	4,987,252
Amortization expenses	(105,592)
As at 31 March 2019	4,881,660

Lease liabilities were classified in the interim condensed consolidated statement of financial position as at 31 March 2019 as current lease liabilities of KD 236,927 and non-current lease liabilities of KD 4,251,412.

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

3. Property, plant and equipment

	31 March 2019	31 December 2018 (audited)	31 March 2018
Net carrying value at beginning of period/year/period	156,936,158	160,124,189	160,124,189
Additions	974,294	5,051,906	1,029,429
Disposals	(80,935)	(31,301)	(1,578)
Foreign currency exchange differences	270	1,073	-
Depreciation for the period / year / period	(2,195,833)	(8,209,709)	(2,297,360)
Net carrying value at end of the period/year/period	<u>155,633,954</u>	<u>156,936,158</u>	<u>158,854,680</u>

All property, plant and equipment located on land leased from the state owned under lease for a term of five years ending in 2019.

4. Investments in associates

	Country of incorporation	Voting rights and ownership percentage %	Carrying value		
			31 March 2019	31 December 2018 (audited)	31 March 2018
Kuwait Rocks Co. K.S.C.C.	State of Kuwait	30.00	-	-	-
Marine Contracting and Services Co. K.S.C.	State of Kuwait	33.39	15,811,267	16,258,955	16,667,839
General			<u>15,811,267</u>	<u>16,258,955</u>	<u>16,667,839</u>

Movement on investment in associates was as follows:

	31 March 2019	31 December 2018 (audited)	31 March 2018
Balance at beginning of the period / year / period	16,258,955	16,628,067	16,628,067
Impact of application of IFRS 9	-	(469,320)	-
Group's share of business results from associates	(81,292)	435,464	30,541
Group's share in associates' reserves	(366,396)	428,299	9,231
Cash dividends received	-	(763,555)	-
Balance at end of the period / year / period	<u>15,811,267</u>	<u>16,258,955</u>	<u>16,667,839</u>

The Group's share in the results of associates business are recorded based on the audited financial statements for the year ended 31 December 2018.

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

5. Financial assets at fair value through other comprehensive income

	31 March 2019	31 December 2018 (audited)	31 March 2018
Quoted securities	56,968,863	49,560,141	47,486,987
Unquoted securities	5,368,509	5,321,850	5,262,451
Funds and portfolios	11,943,381	11,435,703	11,471,723
	<u>74,280,753</u>	<u>66,317,694</u>	<u>64,221,161</u>

The quoted investments include investments of KD 26,459,958 as at 31 March 2019 in the shares of National Industries Group Holding K.P.S.C. which is one of the major shareholders in the Group (31 December 2018: KD 21,439,351 and 31 March 2018: KD 20,218,122).

6. Inventories

	31 March 2019	31 December 2018 (audited)	31 March 2018
Raw materials	17,100,962	18,108,576	17,261,980
Finished goods	335,192	640,179	617,058
	<u>17,436,154</u>	<u>18,748,755</u>	<u>17,879,038</u>

7. Accounts receivable and other debit balances

	31 March 2019	31 December 2018 (audited)	31 March 2018
Amounts under collection at banks	605,934	997,023	1,102,862
Receivables against unconditional bank guarantees	4,077,792	541,789	3,897,851
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	2,698,399	1,366,559	3,218,083
Related parties (Note 18)	1,543,596	1,778,324	1,542,778
Other trade receivables	25,016,732	27,599,246	22,996,923
Total trade receivables	33,942,453	32,282,941	32,758,497
Other receivables	1,639,217	1,788,718	1,837,321
	<u>35,581,670</u>	<u>34,071,659</u>	<u>34,595,818</u>
Provision for expected credit losses	(2,992,160)	(2,929,151)	(4,071,030)
	<u>32,589,510</u>	<u>31,142,508</u>	<u>30,524,788</u>
Prepaid expenses	555,528	407,377	907,819
Notes receivables	2,417,583	1,851,122	2,565,809
	<u>35,562,621</u>	<u>33,401,007</u>	<u>33,998,416</u>

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

The movement of provision for expected credit losses is as follows:

	31 March 2019	31 December 2018 (audited)	31 March 2018
Balance at beginning of the period / year / period	2,929,151	3,636,236	3,636,236
Impact of application of IFRS 9	-	199,444	199,444
Charged during the period / year / period	63,009	506,449	235,350
Bad debts during the period / year / period	-	(1,412,978)	-
Balance at end of the period / year / period	<u>2,992,160</u>	<u>2,929,151</u>	<u>4,071,030</u>

8. Cash and cash equivalents

	31 March 2019	31 December 2018 (audited)	31 March 2018
Cash on hand and at bank	9,395,960	9,036,489	8,513,152
Cash at investment portfolios	370,990	372,359	785,964
Bank deposits	-	-	10,417,190
Cash and cash equivalents	<u>9,766,950</u>	<u>9,408,848</u>	<u>19,716,306</u>

The average effective interest rate on bank deposits was nil as at 31 March 2019 (31 December 2018: 1.5% and 31 March 2018: 1.5%).

9. Share capital

The authorized, issued and fully paid share capital amounted to KD 73,330,387 divided into 733,303,870 shares as at 31 March 2019, 31 December 2018 and 31 March 2018, each of a nominal value of 100 fils and all shares are in cash.

10. Treasury shares

	31 March 2019	31 December 2018 (audited)	31 March 2018
Number of shares (No's)	20,330,200	20,279,179	20,255,774
Percentage to issued shares (%)	2.77	2.77	2.76
Market value (KD)	6,586,985	7,685,809	9,486,699

The Parent Company is committed to keeping reserves, retained earnings and share premium equal to the purchased treasury shares along acquisition period according to the instructions of the concerned regulatory authorities.

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

11. Loans, bank facilities and murabaha

	31 March 2019	31 December 2018 (audited)	31 March 2018
Non-current portion			
Loans	21,290,000	21,290,000	27,530,000
Murabaha	36,399,732	37,401,779	31,329,216
	<u>57,689,732</u>	<u>58,691,779</u>	<u>58,859,216</u>
Current portion			
Loans	7,740,000	8,890,000	8,211,972
Murabaha	9,992,917	9,732,926	11,874,544
	<u>17,732,917</u>	<u>18,622,926</u>	<u>20,086,516</u>
Total loans, bank facilities and murabaha	<u><u>75,422,649</u></u>	<u><u>77,314,705</u></u>	<u><u>78,945,732</u></u>

The average effective interest rate on the loans, bank facilities and Murabaha was 3.500% as at 31 March 2019 (31 December 2018: 3.500% and 31 March 2018: 3.700%).

Certain loans are secured by the whole official location and extensions of the Parent Company's factory with book value of which amounting to KD 10,770,802 as at 31 March 2019 (31 December 2018: KD 11,113,006, and 31 March 2018: KD 12,139,616).

One of the main borrowings, bank facilities and murabaha covenants is that the Group will not distribute dividends if the ratio of current assets to current liabilities decreases less than (1:1:5) and not to pledge movable and non-movable funds to others before obtaining written approval from the bank. The loans and murabaha covenants also state that the ratio of net debts to operating profit not be more than (1:12) and the ratio of operating profit to interests not be less than (1:1) and the ratio of net debts to equity increases not be more than (1:0:8) and the ratio of liabilities to equity not be more than (1:1:3).

12. Accounts payable and other credit balances

	31 March 2019	31 December 2018 (audited)	31 March 2018
Suppliers	21,284,487	21,179,749	22,338,015
Accrued interest and expenses	3,579,908	3,119,259	3,357,499
Notes payable	1,569,749	1,620,789	638,777
Clients - advance payments	750,722	791,936	752,328
payable cash dividends	841,037	868,724	689,281
Retention	48,927	48,927	567,201
Contribution to Kuwait Foundation for the Advancement of Sciences	255,035	242,179	192,547
National Labour Support Tax	209,313	175,486	536,119
Zakat	71,100	63,260	193,197
Other	10,170	10,520	34,532
	<u>28,620,448</u>	<u>28,120,829</u>	<u>29,299,496</u>

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

13. Cost of sales

	Three months ended 31 March	
	2019	2018
Raw material	19,776,833	17,106,656
Change in finished goods	304,988	65,052
Salaries and benefits	1,331,955	1,167,862
Rent	115,245	109,976
Maintenance and spare parts	846,819	1,236,280
Depreciation & amortization	541,790	748,962
Other	241,665	168,161
	<u>23,159,295</u>	<u>20,602,949</u>

14. Other operating income

	Three months ended 31 March	
	2019	2018
Net income from investment properties	35,049	30,296
Net profits from exchange differences	7,892	30,747
Other income	71,763	14,842
	<u>114,704</u>	<u>75,885</u>

15. Net investments (losses) / profits

	Three months ended 31 March	
	2019	2018
Financial assets at fair value through other comprehensive income:		
Cash dividends	3,431	94,020
Portfolio management fees	(22,761)	(25,804)
	<u>(19,330)</u>	<u>68,216</u>

16. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Parent Company for the year by the weighted average of the number of the existing ordinary shares determined based on number of existing shares of issued capital during the period, taking into account treasury shares. The calculation of basic and diluted earnings per share is as follows:

	Three months ended 31 March	
	2019	2018
Net profit for the period attributable to shareholders of the Parent Company	1,429,891	2,967,727
Weighted average number of outstanding shares during the period (shares)	712,977,729	713,076,368
Basic and diluted earnings per share (fils)	<u>2.01</u>	<u>4.16</u>

Notes to the Interim Condensed Consolidated Financial Information
For the three months ended 31 March 2019 (Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

17. Dividends

On 23 April 2019, the General Assembly of shareholders approved cash dividends of 15 fils per share of the paid share capital after deducting treasury shares for 2018 (2017: 20 fils).

18. Related party transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, board of directors, key management personnel, associates, and subsidiaries in which the Company has representatives in their board. In the normal course of business, and subject to the approval of the Group's management, transactions were made with such parties during the period ended 31 March 2019. Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Following is a summary of significant related party transactions:

	31 March 2019	31 December 2018 (audited)	31 March 2018
Balances			
Receivables and other debit balances (Note 7)	1,543,596	1,778,324	1,542,778
Provision for employees end of services benefits	606,917	603,274	490,120
		Three months ended 31 March	
		2019	2018
Transactions			
Sales		846,193	719,835
Directors' remuneration		52,000	52,000
Committees' fees		37,500	37,500
Senior management salaries and benefits		148,562	152,870

All transactions with related parties are subject to the approval of the shareholders' general assembly.

19. Contingent liabilities and capital commitments

	31 March 2019	31 December 2018 (audited)	31 March 2018
Contingent liabilities			
Letters of guarantee	581,133	581,133	573,633
Capital commitments			
Letters of Credit	1,354,678	1,715,505	1,910,156
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	14,996,291	5,652,629	18,062,745
Property, plant and equipment	668,901	678,693	696,324

Notes to the Interim Condensed Consolidated Financial Information

For the three months ended 31 March 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

There is a dispute between the Parent Company and a supplier about the financial obligations resulting from the termination of the raw materials supply contract between both parties where that party submitted a financial claim, while company's management has applied with the Court's judicial arbitration for discharging it from any financial obligations resulting from termination of that contract. During the previous period, a judgment was issued for the release of all the Parent Company's financial obligations towards the supplier. The dispute with the supplier has not been resolved yet and the Parent Company's management believes that the provisions provided are sufficient against all the obligations that might result from this dispute.

20. Segment financial information

The management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

The primary segments information as follows:

Operating Segments

The Group has determined the following two major business segments for internal reporting purposes:

- Manufacturing sector which includes production and sale cement & ready – mix cement.
- Investment sector

Financial information on business segments for the three month period ended 31 March is as follows:

	2019			2018		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	26,716,833	(65,603)	26,651,230	25,765,183	129,053	25,894,236
Total segments profit	2,335,641	(65,603)	2,270,038	3,558,283	129,053	3,687,336
						312,226,49
Segments assets	222,979,966	91,224,005	314,203,971	229,762,872	82,463,618	0
Adjustments:						
Gross segments profit			2,313,470			3,687,336
Finance charges			(769,777)			(535,209)
Interest income			1,091			14,511
			<u>1,544,784</u>			<u>3,166,638</u>