



شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

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

**Interim consolidated condensed
financial information (Unaudited)
And the review report for the six months
ended 30 June 2019**



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

Interim consolidated condensed financial information (Unaudited)
And the review report for the six months ended 30 June 2019

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Independent auditors' review report to the board of directors
Report on interim consolidated condensed financial information

Introduction

We have reviewed the accompanying interim consolidated condensed 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 30 June 2019, and the related interim consolidated condensed statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim consolidated condensed financial information in accordance with International Accounting Standards 34: "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim consolidated condensed 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 consolidated condensed 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 consolidated condensed 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 consolidated condensed 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 six month period ended 30 June 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.

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

Kuwait: 6 August 2019

Ali Mohammed Kohari
License No. 156 "A"
Member of Prime Global
Al-Salheya Office - Certified Public Accountant

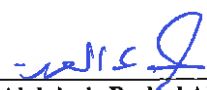
Interim Condensed Consolidated Statement of Financial Position
As at 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	30 June 2019	31 December 2018 (Audited)	30 June 2018
Assets				
Non-current assets				
Property, plant and equipment	3	154,923,926	156,936,158	158,854,577
Intangible assets		50,006	69,469	90,084
Investment properties		770,641	770,641	782,651
Investments in associates	4	15,580,765	16,258,955	15,910,951
Financial assets at fair value through other comprehensive income	5	83,132,640	66,317,694	67,829,751
Right of use assets	2.2	4,737,887	-	-
		<u>259,195,865</u>	<u>240,352,917</u>	<u>243,468,014</u>
Current assets				
Inventories	6	17,575,737	18,748,755	20,068,635
Accounts receivable and other debit balances	7	31,299,033	33,401,007	32,941,877
Cash and cash equivalents	8	8,290,179	9,408,848	9,106,680
		<u>57,164,949</u>	<u>61,558,610</u>	<u>62,117,192</u>
		<u>316,360,814</u>	<u>301,911,527</u>	<u>305,585,206</u>
Total assets				
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)	(13,528,077)
Profits on sale of treasury shares		441,409	441,409	441,409
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		(8,625,821)	(24,949,961)	(22,000,825)
Group's share in associates' reserves		(100,971)	225,187	190,146
Group's share in foreign currency translation reserve		95,257	95,329	116,415
Retained earnings		16,265,535	21,887,300	21,349,233
Equity attributable to shareholders of the Parent Company		<u>203,369,962</u>	<u>193,012,675</u>	<u>194,563,807</u>
Non-controlling interests		161,328	145,358	152,065
Total equity		<u>203,531,290</u>	<u>193,158,033</u>	<u>194,715,872</u>
Liabilities				
Non-current liabilities				
Loans, bank facilities and murabaha	11	63,098,177	58,691,779	66,656,668
Provision for employees end of services benefits		3,503,976	3,317,960	2,966,758
Lease liability	2.2	4,226,283	-	-
		<u>70,828,436</u>	<u>62,009,739</u>	<u>69,623,426</u>
Current liabilities				
Loans, bank facilities and murabaha	11	16,877,981	18,622,926	14,322,124
Accounts payable and other credit balances	12	24,863,190	28,120,829	26,923,784
Lease liability	2.2	259,917	-	-
		<u>42,001,088</u>	<u>46,743,755</u>	<u>41,245,908</u>
		<u>112,829,524</u>	<u>108,753,494</u>	<u>110,869,334</u>
Total Liabilities		<u>112,829,524</u>	<u>108,753,494</u>	<u>110,869,334</u>
Total equity and liabilities		<u>316,360,814</u>	<u>301,911,527</u>	<u>305,585,206</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 consolidated condensed statement of income for the six months period ended 30 June 2019 (Unaudited)
(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Sales		20,126,913	22,398,051	46,772,030	48,148,392
Cost of sales	13	(18,381,368)	(19,276,218)	(41,540,663)	(39,879,167)
Gross profit		1,745,545	3,121,833	5,231,367	8,269,225
Other operating income	14	105,634	83,955	220,338	159,840
Selling, general and administrative expenses		(1,124,149)	(1,136,120)	(2,247,574)	(2,535,468)
Operating profit		727,030	2,069,668	3,204,131	5,893,597
Provision for expected credit losses		(52,635)	2,907	(115,644)	(232,443)
Finance charges		(742,806)	(895,250)	(1,512,583)	(1,430,459)
Interest income		944	22,346	2,035	36,857
Net investment profits	15	3,162,024	2,645,144	3,142,694	2,713,360
Group's share of business results from associates	4	87,756	85,872	6,464	116,413
Net profit before deductions		3,182,313	3,930,687	4,727,097	7,097,325
Contribution to Kuwait Foundation for the Advancement of Sciences		(30,533)	(37,380)	(45,464)	(66,457)
National Labour Support Tax		(11,331)	(30,363)	(45,158)	(113,961)
Zakat		(8,039)	(11,286)	(22,470)	(44,420)
Board of directors' remuneration		(52,000)	(52,000)	(104,000)	(104,000)
Net profit for the period		3,080,410	3,799,658	4,510,005	6,768,487
Attributable to:					
Shareholders of the Parent Company		3,078,084	3,797,545	4,507,975	6,765,272
Non-controlling interests		2,326	2,113	2,030	3,215
Net profit for the period		3,080,410	3,799,658	4,510,005	6,768,487
Basic and diluted earnings per share (fils)	16	4.32	5.33	6.32	9.49

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

Interim consolidated condensed statement of comprehensive income for the six months period ended 30 June 2019 (Unaudited)
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Net profit for the period		3,080,410	3,799,658	4,510,005	6,768,487
Other comprehensive income items:					
<i>Items that may be reclassified subsequently in the interim consolidated condensed statement of income:</i>					
<i>Investments in associates:</i>					
Group's share in associates' reserves	4	68,547	384,027	(326,158)	393,258
<i>Differences of translation of financial statements with foreign currency:</i>					
Group's share in foreign currency translation reserve		(36)	22,922	(72)	22,886
<i>Items that will not be reclassified subsequently in the interim consolidated condensed statement of income:</i>					
<i>Financial assets at fair value through other comprehensive income:</i>					
Changes in fair value of financial assets at fair value through other comprehensive income		8,726,053	4,128,084	16,337,907	5,069,707
Total other comprehensive income items for the period		8,794,564	4,535,033	16,011,677	5,485,851
Total comprehensive income for the period		11,874,974	8,334,691	20,521,682	12,254,338
Attributable to:					
Shareholders of the Parent Company		11,867,664	8,327,347	20,505,886	12,246,010
Non-controlling interests		7,310	7,344	15,796	8,328
Total comprehensive income for the period		11,874,974	8,334,691	20,521,682	12,254,338

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

Kuwait Cement Company
K.P.S.C.

and its subsidiaries
State of Kuwait



Interim consolidated condensed statement of changes in equity for the six months period ended 30 June 2019 (Unaudited)
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company													
	Share capital	Share premium	Treasury shares	Profits on 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 translation 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)	-	-	(62,565)	(662,365)	(311)	(662,676)
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	28,374,443	196,613,223	144,162	196,757,385
Net profit for the period	-	-	-	-	-	-	-	-	-	-	6,765,272	6,765,272	3,215	6,768,487
Total other comprehensive income items for the period	-	-	-	-	-	-	-	4,594,438	393,258	22,713	470,329	5,480,738	5,113	5,485,851
Cash dividends	-	-	-	-	-	-	-	-	-	-	(14,260,811)	(14,260,811)	-	(14,260,811)
Purchase of treasury shares	-	-	(43,369)	-	-	-	-	-	-	-	-	(43,369)	-	(43,369)
Disposal of treasury shares	-	-	12,937	(4,183)	-	-	-	-	-	-	-	8,754	-	8,754
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(425)	(425)
Balance at 30 June 2018	73,330,387	26,675,810	(13,528,077)	441,409	47,010,835	42,048,346	18,930,128	(22,000,825)	190,146	116,415	21,349,233	194,563,807	152,065	194,715,872
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	-	-	-	-	-	-	-	-	-	-	4,507,975	4,507,975	2,030	4,510,005
Total other comprehensive income / (loss) items for the period	-	-	-	-	-	-	-	16,324,140	(326,158)	(72)	564,865	16,562,775	13,968	16,576,743
Cash dividends	-	-	-	-	-	-	-	-	-	-	(10,694,605)	(10,694,605)	-	(10,694,605)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(28)
Purchase of treasury shares	-	-	(18,858)	-	-	-	-	-	-	-	-	(18,858)	-	(18,858)
Balance at 30 June 2019	73,330,387	26,675,810	(13,546,935)	441,409	47,856,817	42,048,346	18,930,128	(8,625,821)	(100,971)	95,257	16,265,535	203,369,962	161,328	203,531,290

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

Interim consolidated condensed statement of cash flows for the six months period ended 30 June 2019 (Unaudited)
(All amounts are in Kuwaiti Dinars)

	Notes	Six months ended 30 June	
		2019	2018
Cash flows generated from operating activities			
Net profit for the period		4,510,005	6,768,487
Adjustments:			
Depreciation and amortization		4,724,354	4,379,086
Provision for expected credit losses	7	115,643	232,443
Losses on sale of property, plant and equipment		(40,244)	-
Net investment profits	15	(3,190,800)	(2,764,584)
Finance charges		1,512,583	1,430,459
Interest income		(2,035)	(36,857)
Group's share of business results from associates	4	(6,464)	(116,413)
Provision for employees end of services benefits		186,016	189,496
Net operating profit before working capital changes		7,809,058	10,082,117
Inventories		1,173,018	(2,489,286)
Accounts receivable and other debit balances		1,837,307	1,868,753
Accounts payable and other credit balances		(3,454,825)	(1,569,902)
Lease liability		(352,028)	-
Net cash generated from operating activities		7,012,530	7,891,682
Cash flows from investing activities			
Paid for purchase of property, plant and equipment	3	(2,540,240)	(3,048,903)
Proceeds from sale of property, plant and equipment		137,190	11,363
Paid for purchase of financial assets at fair value through other comprehensive income		(3,101,894)	(820,414)
Proceeds on sale of financial assets at fair value through other comprehensive income		3,166,438	1,911,195
Dividends received		3,572,578	3,528,139
Interest income received		2,035	36,857
Net cash generated from investing activities		1,236,107	1,618,237
Cash flows from financing activities			
Withdrawn from loans, bank facilities and murabaha		14,000,000	10,498,000
Paid for bank loans, facilities and murabaha		(11,338,547)	(6,972,407)
Finance charges paid		(1,500,107)	(1,407,884)
Dividend payments		(10,509,766)	(13,899,525)
Net change in non-controlling interests		(28)	(425)
Paid for purchase of treasury shares		(18,858)	(43,369)
Proceed from sale of treasury shares		-	8,754
Net cash used in financing activities		(9,367,306)	(11,816,856)
Net decrease in cash and cash equivalents		(1,118,669)	(2,306,937)
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	8,290,179	9,106,680

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

Kuwait Cement Company

K.P.S.C.

and its subsidiaries

State of Kuwait



Notes to the interim consolidated condensed financial information for the six months period ended 30 June 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 Parent 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 interim consolidated condensed financial information includes the financial information 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 %		
				30 June 2019	31 December 2018 (Audited)	30 June 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 interim consolidated condensed financial information for the six months period ended 30 June 2019. The subsidiaries' total assets amounted to KD 41,415,365 as at 30 June 2019 (31 December 2018: KD 42,020,075 and 30 June 2018: KD 42,614,465), and their net loss amounted to KD 272,887 for the six months period ended 30 June 2019 (profits of KD 231,199 for the six months period ended 30 June 2018).

The accompanying interim consolidated condensed financial information was authorized for issue by Parent Company's board of directors on 6 August 2019.

Kuwait Cement Company

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Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

2. Significant accounting policies

2.1 Basis of preparation

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

The interim consolidated condensed 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 consolidated condensed financial information. The operating results for the six months period ended 30 June 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 consolidated condensed 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 consolidated condensed financial information of the Group, in which IFRS 16 is adopted. Changes in significant accounting policies are as described below.

Use of judgements and estimates

The preparation of the interim consolidated condensed 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 expenses. Actual results may differ from these estimates.

In preparing this interim consolidated condensed 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 consolidated condensed 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.
- 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

These amendments have no significant effect on the interim consolidated condensed financial information.

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

• 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 consolidated condensed 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.

Kuwait Cement Company

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Notes to the interim consolidated condensed financial information for the six months period ended 30 June 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 consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

Lease liability

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 when the Group is reasonably certain that this option is exercised, and payments of penalties for terminating a lease when the lease term reflects the Group exercising the option to terminate the lease. 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 is 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	(249,365)
As at 30 June 2019	4,737,887

Lease liabilities were classified in the interim consolidated condensed statement of financial position as at 30 June 2019 as current lease liabilities of KD 259,917 and non-current liabilities of KD 4,226,283.

3. Property, plant and equipment

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Net carrying value at beginning of period/year/period	156,936,158	160,124,189	160,124,189
Additions	2,540,240	5,051,906	3,048,903
Disposals	(96,946)	(31,301)	(11,363)
Foreign currency translation differences	-	1,073	39,419
Depreciation for the period/year/period	(4,455,526)	(8,209,709)	(4,346,571)
Net carrying value at end of the period/year/period	154,923,926	156,936,158	158,854,577

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

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

4. Investments in associates

	Country of incorporation	Voting rights and ownership percentage %	Carrying value		
			30 June 2019	31 December 2018 (Audited)	30 June 2018
Kuwait Rocks Co. K.S.C.C.	State of Kuwait	30.00	-	-	-
Contracting and Marine Services Co. K.S.C.C.	State of Kuwait	33.39	15,580,765	16,258,955	15,910,951
			<u>15,580,765</u>	<u>16,258,955</u>	<u>15,910,951</u>

Movement on investment in associates was as follows:

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Balance at the beginning of the period / year / period	16,258,955	16,628,067	16,628,067
Impact of application of IFRS 9	-	(469,320)	(463,232)
Group's share of business results from associates	6,464	435,464	116,413
Group's share in associates' reserves	(302,876)	428,299	393,258
Cash dividends received	(381,778)	(763,555)	(763,555)
Balance at the end of the period / year / period	<u>15,580,765</u>	<u>16,258,955</u>	<u>15,910,951</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.

5. Financial assets at fair value through other comprehensive income

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Quoted securities	65,296,307	49,560,141	51,569,043
Unquoted securities	5,995,652	5,321,850	4,940,697
Funds and portfolios	11,840,681	11,435,703	11,320,011
	<u>83,132,640</u>	<u>66,317,694</u>	<u>67,829,751</u>

The quoted investments include investments of KD 32,139,103 as at 30 June 2019 in 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 30 June 2018: KD 21,846,427).

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

6. Inventories

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Raw materials	17,311,784	18,108,576	19,269,358
Finished goods	263,953	640,179	799,277
	<u>17,575,737</u>	<u>18,748,755</u>	<u>20,068,635</u>

7. Accounts receivable and other debit balances

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Amounts under collection at banks	223,204	997,023	827,901
Receivables against unconditional bank guarantees	4,048,254	541,789	4,039,293
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	564,073	1,366,559	4,273,411
Related parties (Note 18)	2,237,508	1,778,324	1,475,495
Other trade receivables	23,354,325	27,599,246	21,511,756
Total trade receivables	30,427,364	32,282,941	32,127,856
Other receivables	1,704,073	1,788,718	1,718,913
	32,131,437	34,071,659	33,846,769
Provision for expected credit losses	(3,044,794)	(2,929,151)	(4,071,722)
	29,086,643	31,142,508	29,775,047
Prepaid expenses	475,700	407,377	824,144
Notes receivables	1,736,690	1,851,122	2,342,686
	<u>31,299,033</u>	<u>33,401,007</u>	<u>32,941,877</u>

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

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Balance at the 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	115,643	506,449	232,443
Bad debts during the period / year / period	-	(1,412,978)	-
Foreign currency translation differences	-	-	3,599
Balance at the end of the period / year / period	<u>3,044,794</u>	<u>2,929,151</u>	<u>4,071,722</u>

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

8. Cash and cash equivalents

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Cash on hand and at banks	7,107,831	9,036,489	7,948,703
Cash at investment portfolios	1,182,348	372,359	739,323
Bank deposits	-	-	418,654
Cash and cash equivalents	8,290,179	9,408,848	9,106,680

The average effective interest rate on bank deposits was nil as at 30 June 2019 (31 December 2018: 1.5% and 30 June 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 30 June 2019, 31 December 2018 and 30 June 2018, each of a nominal value of 100 fils. All shares are in cash.

10. Treasury shares

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Number of shares (No's)	20,330,200	20,279,179	20,250,907
Percentage to issued shares (%)	2.77	2.77	2.76
Market value (KD)	6,282,032	7,685,809	10,024,199

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.

11. Loans, bank facilities and murabaha

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Non-current portion			
Loans	18,220,000	21,290,000	31,528,000
Murabaha	44,878,177	37,401,779	35,128,668
	63,098,177	58,691,779	66,656,668
Current portion			
Loans	6,140,000	8,890,000	5,192,973
Murabaha	10,737,981	9,732,926	9,129,151
	16,877,981	18,622,926	14,322,124
Total loans, bank facilities and murabaha	79,976,158	77,314,705	80,978,792

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

The average effective interest rate on the loans, bank facilities and Murabaha was 3.500% as at 30 June 2019 (31 December 2018: 3.500% and 30 June 2018: 3.500%).

Certain loans are secured by the whole official location and extensions of the Parent Company's factory with book value of KD 10,428,599 as at 30 June 2019 (31 December 2018: KD 11,113,006, and 30 June 2018: KD 11,797,412).

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

	30 June 2019	31 December 2018 (Audited)	30 June 2018
Suppliers	17,895,106	21,179,749	20,969,712
Accrued interest and expenses	2,244,766	3,119,259	2,285,798
Notes payable	1,459,612	1,620,789	1,447,438
Clients - advance payments	2,005,419	791,936	712,948
Payable cash dividends	1,053,563	868,724	1,057,296
Retention	3,500	48,927	48,927
Contribution to Kuwait Foundation for the Advancement of Sciences	123,546	242,179	230,426
National Labour Support Tax	45,158	175,486	113,961
Zakat	22,470	63,260	46,755
Other	10,050	10,520	10,523
	<u>24,863,190</u>	<u>28,120,829</u>	<u>26,923,784</u>

13. Cost of sales

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Raw material	15,285,026	16,307,056	35,061,859	33,413,713
Change in finished goods	71,238	(182,218)	376,226	(117,166)
Salaries and benefits	1,149,815	1,274,660	2,481,770	2,442,522
Rent	50,135	64,345	165,380	174,321
Maintenance and spare parts	824,646	1,135,816	1,671,465	2,372,096
Depreciations and amortizations	560,072	498,508	1,101,862	1,247,470
Other	440,436	178,051	682,101	346,211
	<u>18,381,368</u>	<u>19,276,218</u>	<u>41,540,663</u>	<u>39,879,167</u>

Kuwait Cement Company

K.P.S.C.

and its subsidiaries

State of Kuwait



شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

14. Other operating income

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Net income from investment properties	31,564	29,577	66,613	59,873
Net profit / (loss) from exchange differences	7,902	(15,915)	15,794	14,832
Other revenues	66,168	70,293	137,931	85,135
	<u>105,634</u>	<u>83,955</u>	<u>220,338</u>	<u>159,840</u>

15. Net investment profits

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Financial assets at fair value through other comprehensive income:				
Cash dividends	3,187,369	2,670,564	3,190,800	2,764,584
Portfolio management fees	(25,345)	(25,420)	(48,106)	(51,224)
	<u>3,162,024</u>	<u>2,645,144</u>	<u>3,142,694</u>	<u>2,713,360</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 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Net profit for the period attributable to shareholders of the Parent Company	<u>3,078,084</u>	<u>3,797,545</u>	<u>4,507,975</u>	<u>6,765,272</u>
Weighted average number of outstanding shares during the period (shares)	<u>712,973,670</u>	<u>713,059,278</u>	<u>712,975,688</u>	<u>713,059,278</u>
Basic and diluted earning per share (fils)	<u>4.32</u>	<u>5.33</u>	<u>6.32</u>	<u>9.49</u>

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).

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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 30 June 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:

	<u>30 June 2019</u>	<u>31 December 2018 (Audited)</u>	<u>30 June 2018</u>
Balances			
Accounts receivables and other debit balances (Note 7)	2,237,508	1,778,324	1,475,495
Provision for employees end of services benefits	610,602	603,274	490,668
	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Transactions			
Sales	969,664	749,170	1,815,857
Directors' remuneration	52,000	52,000	104,000
Committees' fees	37,500	37,500	75,000
Senior management salaries and benefits	149,085	154,230	297,647
			307,100

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

19. Contingent liabilities and capital commitments

	<u>30 June 2019</u>	<u>31 December 2018 (Audited)</u>	<u>30 June 2018</u>
Contingent liabilities			
Letters of guarantee	581,133	581,133	573,633
Capital commitments			
Letters of Credit	740,443	1,715,505	1,828,535
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	12,632,425	5,652,629	13,323,516
Property, plant and equipment	673,797	678,693	688,485

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 Parent 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.

Notes to the interim consolidated condensed financial information for the six months period ended 30 June 2019 (Unaudited)

(All amounts are in Kuwaiti Dinar unless otherwise mentioned)

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 about business segments for the six months period ended 30 June is as follows:

	2019			2018		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	46,909,961	3,215,771	50,125,732	48,233,527	2,889,645	51,123,172
Total segments profit	3,021,874	3,215,771	6,237,645	5,601,284	2,889,645	8,490,929
Segments assets	215,694,420	100,666,394	316,360,814	220,322,530	85,262,676	305,585,206

Adjustments:

Gross segments profit		6,237,645	8,490,929
Finance charges		(1,512,583)	(1,430,459)
Interest income		2,035	36,857
		<u>4,727,097</u>	<u>7,097,327</u>