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 review report for the nine months ended 30 September 2019

شركة اسمنت الكويت
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Interim consolidated condensed financial information (Unaudited) and review report for the nine months ended 30 September 2019

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Al Shaheed Tower, 6th Floor
Khaled Ben Al Waleed Street, Sharq
P.O. Box 25578, Safat 13116
Kuwait
Tel: +965 2242 6999
Fax: +965 2240 1666
www.bdo.com.kw

مكتب الصالحية
AL-SALHEYA
محاسبون قانونيون
Certified Public Accountants
Baneid Al Gar – Al Darwaza Tower – 10 Floor
Tel : 2246 4282 – 2246 0020
Fax : 2246 0032
P.O.Box : 240 Aldasma – 35151 – Kuwait
www.alikouhari.com

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

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 September 2019, and the related interim consolidated condensed statements of income, comprehensive income, changes in equity and cash flows for the nine 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 interim consolidated condensed 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 interim consolidated condensed 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 nine month period ended 30 September 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

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

Kuwait: 13 November 2019

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim consolidated condensed statement of financial position
As at 30 September 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	30 September 2019	31 December 2018 (Audited)	30 September 2018
Assets				
Non-current assets				
Property, plant and equipment	3	153,907,675	156,936,158	157,983,626
Intangible assets		41,400	69,469	79,661
Investments properties		770,641	770,641	776,648
Investments in associates	4	15,788,884	16,258,955	16,134,267
Financial assets at fair value through other comprehensive income	5	82,483,418	66,317,694	71,287,501
Right of use assets	2.2	4,613,208	-	-
		257,605,226	240,352,917	246,261,703
Current assets				
Inventories	6	19,201,782	18,748,755	21,368,653
Receivables and other debit balances	7	29,007,991	33,401,007	34,204,362
Cash and cash equivalents	8	8,423,848	9,408,848	9,906,171
		56,633,621	61,558,610	65,479,186
Total assets		314,238,847	301,911,527	311,740,889
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		(9,886,845)	(24,949,961)	(18,527,002)
Group's share in associates' reserves		(27,203)	225,187	211,218
Group's share in foreign currency exchange reserve		95,222	95,329	116,085
Retained earnings		16,407,599	21,887,300	22,336,843
Equity attributable to shareholders of the Parent Company		202,324,735	193,012,675	199,045,982
Non-controlling interests		161,334	145,358	155,519
Total equity		202,486,069	193,158,033	199,201,501
Liabilities				
Non-current liabilities				
Loans, bank facilities and Murabaha	11	62,637,534	58,691,779	63,012,663
Provision for employees' end of service benefits		3,549,260	3,317,960	3,030,995
Lease liability	2.2	4,178,177	-	-
		70,364,971	62,009,739	66,043,658
Current liabilities				
Loans, bank facilities and Murabaha	11	16,343,324	18,622,926	18,993,579
Payables and other credit balances	12	24,784,566	28,120,829	27,502,151
Lease liability	2.2	259,917	-	-
		41,387,807	46,743,755	46,495,730
Total liabilities		111,752,778	108,753,494	112,539,388
Total equity and liabilities		314,238,847	301,911,527	311,740,889

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

Rashed Abdulaziz Al-Rashed
Chairman

Dr. Abdulaziz Rashed Al-Rashed
Vice Chairman

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

Interim consolidated condensed statement of income
For the nine months ended 30 September 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Sales		16,914,072	22,551,818	63,686,102	70,700,210
Cost of sales	13	(15,334,958)	(19,836,462)	(56,875,621)	(59,715,629)
Gross profit		1,579,114	2,715,356	6,810,481	10,984,581
Other operating income	14	49,391	56,457	269,729	216,297
Selling, general and administrative expenses		(849,032)	(946,762)	(3,096,606)	(3,482,230)
Operating Profit		779,473	1,825,051	3,983,604	7,718,648
Provision for expected credit losses	7	(49,227)	(201,984)	(164,871)	(434,427)
Finance charges		(730,058)	(695,965)	(2,242,641)	(2,126,424)
Interest income		468	7,168	2,503	44,025
Net (losses) / profits from investments	15	(10,707)	(17,095)	3,131,987	2,696,265
Group's share of business results from associates	4	139,378	208,332	145,842	324,745
Net profit before deductions		129,327	1,125,507	4,856,424	8,222,832
KFAS		(965)	(9,298)	(46,429)	(75,755)
NLST		(4,486)	(39,071)	(49,644)	(153,032)
Zakat		(1,051)	(13,545)	(23,521)	(57,965)
Board of Directors' remuneration		(52,000)	(52,000)	(156,000)	(156,000)
Net profit for the period		70,825	1,011,593	4,580,830	7,780,080
Attributable to:					
Equity holders of the Parent Company		72,120	1,011,750	4,580,095	7,777,022
Non-controlling interests		(1,295)	(157)	735	3,058
Net profit for the period		70,825	1,011,593	4,580,830	7,780,080
Basic and diluted earnings per share (fils)	16	0.10	1.42	6.42	10.91

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim consolidated condensed statement of comprehensive income
For the nine months ended 30 September 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
Net profit for the period		70,825	1,011,593	4,580,830	7,780,080
Other comprehensive income items:					
Items that may be reclassified subsequently in the interim consolidated condensed statement of income:					
Investments in associates:					
Group's share in associates' reserves	4	73,768	21,072	(252,390)	414,330
Differences of translation of financial statements with foreign currencies:					
Group's share in foreign currency exchange reserve		(35)	(503)	(107)	22,383
Items that will not be reclassified subsequently in the interim consolidated condensed statement of income:					
Financial assets at fair value through other comprehensive income:					
Changes in fair value of financial assets at fair value through other comprehensive income		(624,741)	3,459,554	15,713,166	8,529,261
Total other comprehensive (loss) / income items for the period		(551,008)	3,480,123	15,460,669	8,965,974
Total comprehensive (loss) / income for the period		(480,183)	4,491,716	20,041,499	16,746,054
Attributable to:					
Equity holders of the Parent Company		(480,390)	4,488,263	20,025,496	16,734,273
Non-controlling interests		207	3,453	16,003	11,781
Total comprehensive (loss) / income for the period		(480,183)	4,491,716	20,041,499	16,746,054

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim consolidated condensed statement of changes in equity
For the nine months ended 30 September 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 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)	-	-	(68,653)	(668,453)	(311)	(668,764)
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	28,368,355	196,607,135	144,162	196,751,297
Net profit for the period	-	-	-	-	-	-	-	-	-	-	7,777,022	7,777,022	3,058	7,780,080
Total other comprehensive income items for the period	-	-	-	-	-	-	-	8,068,261	414,330	22,383	452,277	8,957,251	8,723	8,965,974
Cash dividends (Note 17)	-	-	-	-	-	-	-	-	-	-	(14,260,811)	(14,260,811)	-	(14,260,811)
Purchase of treasury shares	-	-	(43,369)	-	-	-	-	-	-	-	-	(43,369)	-	(43,369)
Sale of treasury shares	-	-	12,937	(4,183)	-	-	-	-	-	-	-	8,754	-	8,754
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(424)	(424)
Balance at 30 September 2018	73,330,387	26,675,810	(13,528,077)	441,409	47,010,835	42,048,346	18,930,128	(18,527,002)	211,218	116,085	22,336,843	199,045,982	155,519	199,201,501
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	-	-	-	-	-	-	-	-	-	-	4,580,095	4,580,095	735	4,580,830
Total other comprehensive income / (loss) items for the period	-	-	-	-	-	-	-	15,063,116	(252,390)	(107)	634,809	15,445,428	15,268	15,460,696
Cash dividends (Note 17)	-	-	-	-	-	-	-	-	-	-	(10,694,605)	(10,694,605)	-	(10,694,605)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(27)	(27)
Purchase of treasury shares	-	-	(18,858)	-	-	-	-	-	-	-	-	(18,858)	-	(18,858)
Balance at 30 September 2019	73,330,387	26,675,810	(13,546,935)	441,409	47,856,817	42,048,346	18,930,128	(9,886,845)	(27,203)	95,222	16,407,599	202,324,735	161,334	202,486,069

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

شركة اسمنت الكويت
KUWAIT CEMENT COMPANY

Interim consolidated condensed statement of cash flows
For nine months ended 30 September 2019 (Unaudited)

(All amounts are in Kuwaiti Dinars)

	Notes	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Cash flows generated from operating activities			
Net profit for the period		4,580,830	7,780,080
Adjustments:			
Depreciation and amortization		7,224,802	6,175,259
Provision for expected credit losses	7	164,871	434,427
(Profits) / losses on sale of property, plant and equipment		(40,723)	5,138
Net investment profits	15	(3,205,842)	(2,770,350)
Finance charges		2,242,641	2,126,424
Interest income		(2,503)	(44,025)
Group's share of business results from associates	4	(145,842)	(324,745)
Provision for employees' end of service benefits		231,300	253,733
Net operating profit before working capital changes		11,049,534	13,635,941
Inventories		(453,027)	(3,789,304)
Receivables and other debit balances		4,079,121	404,283
Payables and other credit balances		(3,466,503)	(846,184)
Lease liability		(400,134)	-
Net cash generated from operating activities		10,808,991	9,404,736
Cash Flow from Investing Activities			
Paid for the purchase of property, plant and equipment	3	(3,892,223)	(3,957,818)
Proceeds from sale of property, plant and equipment		138,740	6,225
Paid for purchase of financial assets at fair value through other comprehensive income		(3,957,036)	(974,270)
Proceeds on sale of financial assets at fair value through other comprehensive income		3,484,914	2,066,512
Dividend received		3,587,620	3,533,905
Interest income received		2,503	44,025
Net cash (used in) / generated from investing activities		(635,482)	718,579
Cash flows from financing activities			
Withdrawn from loans, bank facilities and Murabaha		14,000,000	11,998,000
Paid for bank loans, facilities and Murabaha		(12,333,847)	(7,462,407)
Finance charges paid		(2,234,413)	(2,064,005)
Dividends paid		(10,571,364)	(14,067,310)
Net change in non-controlling interests		(27)	(424)
Paid for purchase of treasury shares		(18,858)	(43,369)
Proceed from sale of treasury shares		-	8,754
Net cash used in financing activities		(11,158,509)	(11,630,761)
Net decrease in cash and cash equivalents		(985,000)	(1,507,446)
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	8,423,848	9,906,171

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

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 diferrent 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 headquarter 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 September 2019	31 December 2018 (Audited)	30 September 2018
Shuwaikh Cement Company	K.S.C.C.	Industrial	Kuwait	99.250	99.250	99.250
Amwaj Real Estate Company	K.S.C.C.	Real Estate	Kuwait	96.000	96.000	96.000
Kuwait Cement Ready-mix Company	K.S.C.C.	Industrial	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 nine months period ended 30 September 2019. Total assets of subsidiaries was KD 40,714,031 as at 30 September 2019 (31 December 2018: KD 42,020,075 and 30 September 2018: KD 43,579,563) and net losses was KD 841,818 for the nine months period ended 30 September 2019 (profits of KD 297,502 for the nine months period ended 30 September 2018).

The accompanying interim consolidated condensed financial information was authorized for issue by Parent Company's board of directors on 13 November 2019.

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 nine month period ended 30 September 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 statements of the Group, in which IFRS 16 are adopted. Changes in significant accounting policies are as follows:

Use of judgements and estimates

The preparation of 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 as at and 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 No. (3) - Business combinations
  - IFRS 11 - Joint arrangements
  - IAS 23 – Borrowing Costs

The amendments do not have significant impact on the Group's interim consolidated condensed 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 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:

	1 January 2019
Assets	
Right of use	4,987,252
Liabilities	
Lease liability	4,987,252

No impact on retained earnings as at 1 January 2019.

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 measurement 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.

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 when the Group is reasonably certain that this option is exercised, and payments of penalties for terminating a lease if 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 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	(374,044)
As at 30 September 2019	4,613,208

Lease liabilities were classified in the interim consolidated condensed statement of financial position as at 30 September 2019 as non-current lease liabilities of KD 4,178,177 and current lease liabilities of KD 259,917.

3. Property, Plant and Equipment

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Net carrying value at beginning of period/year/period	156,936,158	160,124,189	160,124,189
Additions	3,892,223	5,051,906	3,957,818
Disposals	(98,017)	(31,301)	(11,363)
Foreign currency exchange differences	-	1,073	39,300
Depreciation for the period / year / period	(6,822,689)	(8,209,709)	(6,126,318)
Net carrying value at end of the period/year/period	153,907,675	156,936,158	157,983,626

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 30 September 2019	Carrying value 31 December 2018 (Audited)	Carrying value 30 September 2018
Kuwait Rocks Co. K.S.C.C.	Kuwait	30.00	-	-	-
Contracting and Marine Services Co. K.S.C.C.	Kuwait	33.39	15,788,884	16,258,955	16,134,267
			15,788,884	16,258,955	16,134,267

Movement on investment in associates was as follows:

	30 September 2019	31 December 2018 (Audited)	30 September 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)	(469,320)
Group's share of business results from associates	145,842	435,464	324,745
Group's share in associates' reserves	(234,135)	428,299	414,330
Cash dividends received	(381,778)	(763,555)	(763,555)
Balance at end of the period / year / period	15,788,884	16,258,955	16,134,267

The Group's share in the results of associates business is recognised based on the financial statements prepared by the management as at 30 June 2019.

5. Financial Assets at Fair Value Through Other Comprehensive Income

	30 September 2018	31 December 2018 (Audited)	30 September 2019
Quoted equity securities	65,217,083	49,560,141	54,695,282
Unquoted equity securities	5,405,205	5,321,850	4,963,781
Funds and portfolios	11,861,130	11,435,703	11,628,438
	82,483,418	66,317,694	71,287,501

The quoted investments include investments of KD 31,996,895 as at 30 September 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 30 September 2018: KD 23,610,424).

6. Inventories

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Raw materials	18,203,432	18,108,576	20,588,945
Finished goods	998,350	640,179	779,708
	19,201,782	18,748,755	21,368,653

7. Receivables and other debit balances

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Amounts under collection at banks	299,959	997,023	778,080
Receivables against unconditional bank guarantees	3,634,735	541,789	4,012,122
Ministry of Commerce – difference from subsidizing cement and ready made concrete to the public	483,465	1,366,559	3,772,873
Related parties (Note 18)	1,806,178	1,778,324	2,205,884
Other trade receivables	22,420,838	27,599,246	23,426,785
Total trade receivables	28,645,175	32,282,941	34,195,744
Other receivables	1,675,197	1,788,718	1,743,231
	30,320,372	34,071,659	35,938,975
Provision for expected credit losses	(3,094,022)	(2,929,151)	(4,273,706)
	27,226,350	31,142,508	31,665,269
Prepaid expenses	379,552	407,377	641,913
Notes receivables	1,402,089	1,851,122	1,897,180
	29,007,991	33,401,007	34,204,362

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

	30 September 2019	31 December 2018 (Audited)	30 September 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	164,871	506,449	434,427
Bad debts during the period / year/ period	-	(1,412,978)	-
Foreign currency exchange differences	-	-	3,599
Balance at end of the period / year / period	3,094,022	2,929,151	4,273,706

8. Cash and Cash Equivalents

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Cash on hand and at banks	7,672,293	9,036,489	8,792,509
Cash at investment portfolios	751,555	372,359	692,474
Bank deposits	-	-	421,188
Cash and cash equivalents	8,423,848	9,408,848	9,906,171

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

10. Treasury shares

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Number of shares (share)	20,330,200	20,279,179	20,279,179
Percentage to issued shares (%)	2.77	2.77	2.76
Market value (KD)	5,265,522	7,685,809	10,038,194

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 September 2019	31 December 2018 (Audited)	30 September 2018
Non-current portion			
Loans and borrowings	18,220,000	21,290,000	38,652,663
Murabaha	44,417,534	37,401,779	24,360,000
	62,637,534	58,691,779	63,012,663
Current portion			
Loans and borrowings	6,140,000	8,890,000	9,130,606
Murabaha	10,203,324	9,732,926	9,862,973
	16,343,324	18,622,926	18,993,579
Total loans, bank facilities and Murabaha	78,980,858	77,314,705	82,006,242

The average effective interest rate on the loans, bank facilities and Murabaha was 3.5% as at 30 September 2019 (31 December 2018: 3.5% and 30 September 2018: 3.5%).

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. Payables and other credit balances

	30 September 2019	31 December 2018 (Audited)	30 September 2018
Suppliers	17,487,771	21,179,749	21,256,232
Accrued interest and expenses	2,620,749	3,119,259	2,583,250
Notes payable	1,551,338	1,620,789	1,570,136
Clients - advance payments	1,922,119	791,936	683,310
Payable cash dividends	991,965	868,724	889,512
Retention	3,500	48,927	48,927
KFAS	123,909	242,179	240,714
NLST	49,644	175,486	153,032
Zakat	23,521	63,260	63,393
Others	10,050	10,520	13,645
	24,784,566	28,120,829	27,502,151

13. Cost of Sales

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Raw material	12,861,247	16,520,364	47,923,106	49,934,077
Change in finished goods	(321,122)	19,569	55,104	(97,597)
Salaries and benefits	960,963	1,138,095	3,442,733	3,580,617
Rents	124,182	88,679	289,562	263,000
Maintenance and spare parts	1,126,361	1,561,149	2,797,826	3,933,245
Depreciations and amortizations	577,563	225,425	1,679,425	1,472,895
Others	5,764	283,181	687,865	629,392
	15,334,958	19,836,462	56,875,621	59,715,629

14. Other operating income

	Three months ended 30 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
Net income from investment properties	44,407	33,322	111,020	93,195
Net (losses) / profits from exchange differences	(2,334)	1,092	13,460	15,924
Other revenues	7,318	22,043	145,249	107,178
	49,391	56,457	269,729	216,297

15. Net (losses) / profits from investments

	Three months ended 30 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
Financial assets at fair value through other comprehensive income:				
Cash dividends	15,042	5,766	3,205,842	2,770,350
Portfolio management fees	(25,749)	(22,861)	(73,855)	(74,085)
	(10,707)	(17,095)	3,131,987	2,696,265

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 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
Net profit for the period attributable to shareholders of the Parent Company	72,120	1,011,750	4,580,095	7,777,022
Weighted average number of outstanding shares during the period (shares)	712,973,670	713,024,691	712,975,008	713,047,623
Basic and diluted earnings per share (fils)	0.10	1.42	6.42	10.91

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 30 September 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:

Balances	**30 September 2019**	**31 December 2018 (Audited)**	**30 September 2018**
Receivables and other debit balances (Note 7)	1,806,178	1,778,324	2,205,884
Provision for employees' end of service benefits	614,328	603,274	491,223

	Three months ended 30 September		**For the nine months ended 30 September**	
Transactions	**2019**	**2018**	**2019**	**2018**
Sales	813,921	1,199,154	2,629,778	2,668,159
Board of Directors' remuneration	52,000	52,000	156,000	156,000
Committees' fees	37,500	37,500	112,500	112,500
Senior management salaries and benefits	150,244	152,541	447,891	459,641

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

19. Contingent liabilities and capital commitments

	30 September 2019	**31 December 2018 (Audited)**	**30 September 2018**
Contingent liabilities			
Letters of guarantee	581,133	581,133	573,633
Capital commitments			
Letters of credit	722,268	1,715,505	1,886,692
Uncalled subscription relating to investments in funds	321,972	321,972	321,972
Contracts for importing raw materials	7,192,619	5,652,629	5,481,304
Property, plant and equipment	699,640	678,693	686,853

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.
- Investments segment

Financial information about business segments for the nine month period ended 30 September is as follows:

	2019			2018		
	Manufacturing sector	Investment Sector	Total	Manufacturing sector	Investment Sector	Total
Segments revenues	63,845,968	3,374,232	67,220,200	70,807,388	3,114,205	73,921,593
Total segments profit	3,722,330	3,374,232	7,096,562	7,191,025	3,114,206	10,305,231
Segments assets	214,365,748	99,873,099	314,238,847	222,849,999	88,890,890	311,740,889
Adjustments:						
Gross segments profit			7,096,562			10,305,231
Finance charges			(2,242,641)			(2,126,424)
Interest income			2,503			44,025
			4,856,424			8,222,832